

EMPLOYMENT OPPORTUNITIES ACT OF 1983

HEARINGS
BEFORE THE
SUBCOMMITTEE ON
EMPLOYMENT AND PRODUCTIVITY
OF THE
COMMITTEE ON
LABOR AND HUMAN RESOURCES
UNITED STATES SENATE
NINETY-EIGHTH CONGRESS

FIRST SESSION

ON

S. 242

TO PROVIDE ADDITIONAL AUTHORIZATIONS FOR LABOR INTENSIVE PROGRAMS, TO PROVIDE ADDITIONAL PROVISIONS FOR THE DISLOCATED WORKERS PROGRAM UNDER TITLE III OF THE JOBS TRAINING PARTNERSHIP ACT, TO PROMOTE EMPLOYMENT AND TRAINING FOR RECIPIENTS OF FEDERALLY FINANCED UNEMPLOYMENT BENEFITS, TO PROVIDE PROCUREMENT TARGETING IN LABOR SURPLUS AREAS, AND FOR OTHER PURPOSES AND RELATED BILLS

FEBRUARY 17, 22, and 23, 1983



Printed for the use of the Committee on Labor and Human Resources

U.S. GOVERNMENT PRINTING OFFICE

18-826 O

WASHINGTON : 1983

5541-21

COMMITTEE ON LABOR AND HUMAN RESOURCES

ORRIN G. HATCH, Utah, *Chairman*

ROBERT T. STAFFORD, Vermont
DAN QUAYLE, Indiana
DON NICKLES, Oklahoma
GORDON J. HUMPHREY, New Hampshire
JEREMIAH DENTON, Alabama
LOWELL P. WEICKER, Jr., Connecticut
CHARLES E. GRASSLEY, Iowa
JOHN P. EAST, North Carolina
PAULA HAWKINS, Florida

EDWARD M. KENNEDY, Massachusetts
JENNINGS RANDOLPH, West Virginia
CLAIBORNE PELL, Rhode Island
THOMAS F. EAGLETON, Missouri
DONALD W. RIEGLE, Michigan
HOWARD M. METZENBAUM, Ohio
SPARK M. MATSUNAGA, Hawaii
CHRISTOPHER J. DODD, Connecticut

RONALD F. DOCKSAI, *Staff Director*

KATHRYN O'L. HIGGINS, *Minority Staff Director*

SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY

DAN QUAYLE, Indiana, *Chairman*

PAULA HAWKINS, Florida
ORRIN G. HATCH, Utah
DON NICKLES, Oklahoma
CHARLES E. GRASSLEY, Iowa

HOWARD M. METZENBAUM, Ohio
CLAIBORNE PELL, Rhode Island
DONALD W. RIEGLE, Michigan
EDWARD M. KENNEDY, Massachusetts

ROBERT M. GUTTMAN, *Counsel*

THOM HALL, *Minority Professional Staff Member*

CONTENTS

CHRONOLOGICAL LIST OF WITNESSES

THURSDAY, FEBRUARY 17, 1983

Feldstein, Martin S., Chairman, Council of Economic Advisers.....	Page 4
---	-----------

TUESDAY, FEBRUARY 22, 1983

Bottoms, Gene, executive director, American Vocational Association, on behalf of the American Association of Community and Junior Colleges.....	32
Semple, Nathaniel M., vice president and director of government affairs, Committee for Economic Development; and Kenneth McLennan, vice president and director of industrial studies, Committee for Economic Development.....	46
Fraser, Donald, mayor, Minneapolis, Minn., on behalf of the National League of Cities; and Winfield Moses, mayor, Fort Wayne, Ind., on behalf of the U.S. Conference of Mayors.....	73
McGlotten, Robert, associate director, department of legislation, American Federation of Labor and Congress of Industrial Organizations, accompanied by Markley Roberts, economist.....	120
Tucker, Anna M., director, department of elderly affairs, State of Rhode Island.....	138

WEDNESDAY, FEBRUARY 23, 1983

du Pont, Hon. Pierre S., IV, Governor, State of Delaware.....	153
Joseph, Jeffrey H., vice president, domestic policy, Chamber of Commerce of the United States, accompanied by Madeleine B. Hemmings, director of education, employment, and training, Chamber of Commerce of the United States, Eric J. Oxfeld, director, unemployment and workers' compensation, Chamber of Commerce of the United States, and Andrew A. Melgard, manager, human and community resources, Chamber of Commerce of the United States.....	189
Sherman, Arnold E., national executive director, Camp Fire, Inc., Robert E. Friedman, president, Corporation for Enterprise Development, and Mary DeGonia, National Youth Employment Coalition.....	231
Merritt, Jean, executive director, Indiana Department on Aging and Community Services and social services fiscal office.....	271
Racehorse, Lonnie, coordinator, legislative task force, Indian and Native American Employment and Training Coalition, and Carl Waln, chairman, Rosebud Sioux Tribe, and member, executive committee, Council of Energy Resource Tribes, accompanied by Bruce Pretty Bird.....	290
MacIlwaine, Paula, county commissioner, Montgomery County, Ohio, accompanied by Matthew Coffey, executive director, National Association of Counties.....	305
Husk, Samuel B., executive director, Council of Great City Schools; Helen Blank, member, Children's Defense Fund; Karl S. Pnazek, executive director, Energy Conservation Coalition, accompanied by Frank Minsel.....	320

IV

STATEMENTS

American Association of Community and Junior Colleges and the Association of Community College Trustees, Nolen M. Ellison, chancellor, Cuyahoga Community College District, Cleveland, Ohio, on behalf of, prepared statement.....	Page 376
American Federation of State, County and Municipal Employees, prepared statement.....	419
Associated General Contractors of America, prepared statement.....	407
Bottoms, Gene, executive director, American Vocational Association, on behalf of the American Association of Community and Junior Colleges.....	32
Prepared statement.....	34
Children's Defense Fund, Helen Blank, on behalf of, prepared statement.....	346
du Pont, Hon. Pierre S., IV, Governor, State of Delaware.....	153
Prepared statement.....	160
Energy Conservation Coalition, Karl S. Pnazek, executive director, prepared statement.....	363
Feldstein, Martin S., Chairman, Council of Economic Advisers.....	4
Fraser, Donald, mayor, Minneapolis, Minn., on behalf of the National League of Cities; and Winfield Moses, mayor, Fort Wayne, Ind., on behalf of the U.S. Conference of Mayors.....	73
Prepared statement.....	76
Friedman, Robert E., president, Corporation for Enterprise Development, prepared statement.....	245
Grassley, Hon. Charles E., a U.S. Senator from the State of Iowa, prepared statement.....	287
Husk, Samuel B., executive director, Council of Great City Schools; Helen Blank, member, Children's Defense Fund; Karl S. Pnazek, executive director, Energy Conservation Coalition, accompanied by Frank Minsel.....	320
Prepared statement.....	322
Indian and Native American Employment and Training Coalition, Bruce Pretty Bird on behalf of, prepared statement.....	298
Interstate Conference of Employment Security Agencies, Inc., William L. Heartwell, Jr., executive vice president, prepared statement.....	402
Joseph, Jeffrey H., vice president, domestic policy, Chamber of Commerce of the United States, accompanied by Madeleine B. Hemmings, director of education, employment, and training, Chamber of Commerce of the United States, Eric J. Oxfeld, director, unemployment and workers' compensation, Chamber of Commerce of the United States, and Andrew A. Melgard, manager, human and community resources, Chamber of Commerce of the United States.....	189
Prepared statement.....	193
MacIlwaine, Paula, county commissioner, Montgomery County, Ohio, accompanied by Matthew Coffey, executive director, National Association of Counties.....	305
Prepared statement.....	308
McGlotten, Robert, associate director, department of legislation, American Federation of Labor and Congress of Industrial Organizations, accompanied by Markley Roberts, economist.....	120
Prepared statement.....	123
McLennan, Kenneth, vice president and director of industrial studies, Committee for Economic Development, prepared statement.....	55
Merritt, Jean, executive director, Indiana Department on Aging and Community Services and social services fiscal office.....	271
Prepared statement.....	274
National Youth Employment Coalition, Mary DeGonia on behalf of, prepared statement.....	262
Quayle, Hon. Dan, a U.S. Senator from the State of Indiana, prepared statement.....	2
Racehorse, Lonnie, coordinator, legislative task force, Indian and Native American Employment and Training Coalition, and Carl Waln, chairman, Rosebud Sioux Tribe, and member, executive committee, Council of Energy Resource Tribes, accompanied by Bruce Pretty Bird.....	290
San Francisco Renaissance Employment and Economic Development, Michael Bernick, executive director, prepared statement.....	430

Sample, Nathaniel M., vice president and director of government affairs, Committee for Economic Development; and Kenneth McLennan, vice president and director of industrial studies, Committee for Economic Development.....	Page 46
Prepared statement	49
Sheets, Judith E. A., Indiana Vocational Technical College, Gary, Ind., prepared statement.....	425
Sherman, Arnold E., national executive director, Camp Fire, Inc., Robert E. Friedman, president, Corporation for Enterprise Development, and Mary DeGonia, National Youth Employment Coalition	231
Prepared statement	234
Tucker, Anna M., director, Department of Elderly Affairs, State of Rhode Island.....	138
Prepared statement	142
U.S. Conference of Mayors, Hon. Winfield Moses, mayor, Fort Wayne, Ind., prepared statement.....	106
Waln, Carl, chairman, Rosebud Sioux Tribe, member, executive committee of the Council of Energy Resource Tribes, prepared statement	291

ADDITIONAL INFORMATION

Articles, publications, etc.:

"Maintenance Gap: Deferred Repair and Renovation in the Nation's Elementary and Secondary Schools," a joint report by the American Association of School Administrators Council of Great City Schools, and the National School Boards Association, January 1983.....	328
State of the City—An Agenda for 1983, by Donald M. Fraser, mayor of Minneapolis	83

Communications to:

Duberstein, Kenneth, Assistant to the President for Legislative Affairs, the White House, from Hon. Dan. Quayle, Chairman, Subcommittee on Employment and Productivity, February 22, 1983 (with attachment).....	391
Hatch, Hon. Orrin G., Chairman, Committee on Labor and Human Resources, from Martin S. Feldstein, Chairman, Council of Economic Advisers, March 9, 1983	29
Hawkins, Hon. Paula, a U.S. Senator from the State of Florida, from Martin S. Feldstein, Chairman, Council of Economic Advisers, March 9, 1983	30
Rivlin, Alice M., Director, Congressional Budget Office, from Hon. Dan. Quayle, Chairman, Subcommittee on Employment and Productivity, February 22, 1983	383
Quayle, Hon. Dan, Chairman, Subcommittee on Employment and Productivity, from:	
Ballentine, J. Gregory, Deputy Assistant Secretary, Tax Analysis, Department of the Treasury, February 28, 1983	394
Duberstein, Kenneth M., Assistant to the President, the White House, March 11, 1983.....	393
Rivlin, Alice M., Director, Congressional Budget Office (with attachment)	384
Saunders, Charles B., Jr., vice president for governmental relations, American Council on Education, Washington, D.C., February 22, 1983.....	382

EMPLOYMENT OPPORTUNITIES ACT OF 1983

THURSDAY, FEBRUARY 17, 1983

U.S. SENATE,
SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY,
COMMITTEE ON LABOR AND HUMAN RESOURCES,
Washington, D.C.

The subcommittee met, pursuant to notice, at 8:37 a.m., in room S.D. 430, Dirksen Senate Office Building, Senator Dan Quayle (chairman of the subcommittee) presiding.

Present: Senators Quayle, Hatch, Nickles, Hawkins, Kennedy, and Metzenbaum.

Senator QUAYLE. The committee will come to order.

I am delighted to welcome Dr. Feldstein to our hearing. I think it was just about a month ago when this subcommittee began hearings on jobs creation and jobs proposals. At that time, a number of us were saying that it is really not a question of whether or not we will have jobs legislation, but rather, it is a question of what kind of legislation can we design that will actually create jobs and that will work effectively.

Last night, I was delighted to hear the President outline his jobs proposal, which I understand is still being developed. But we are certainly on the road to having job creation legislation, for the short term as well as the long term, to deal with the very unfortunate, high rate of unemployment.

Now, I hope that we can all proceed and move forward together. This subcommittee was very successful last year in getting a bipartisan agreement on the Job Training Partnership Act. I am hopeful that we can have the same spirit of accommodation this year.

I believe our goal may be taken from what the President said in his state of the Union message, and that is that we must offer short-term help and long-term hope for the unemployed. I think that pretty well summarizes my viewpoint. I know that is his viewpoint on how we come together, working not only in the Congress together but Congress working with the administration to see these goals implemented.

We are delighted to be able to kick off this hearing this morning with Dr. Feldstein. We apologize for the unusual hour, but we will begin immediately. I know you are going to the Budget Committee at 10. Senator Hatch, Senator Metzenbaum, and I, as a matter of fact, three of us, are members of that committee, so we will not detain you beyond that time.

I will yield to the chairman of the committee, if he has any statement at this time and I ask unanimous consent that my prepared statement be placed in the record.

[The prepared statement of Senator Quayle follows:]

PREFARED STATEMENT OF SENATOR DAN QUAYLE

Just one month ago, this Subcommittee began its hearings on job creation programs and at that time I said "it is no longer a question of whether we should have job creation programs but, rather, can we design programs which will actually create jobs."

I am pleased that the Administration has now agreed to this proposition. The debate on whether we should have a job creation program is over. Now, we can all go forward together in trying to design the best possible program, a program that will put the maximum number of persons into real productive jobs at the lowest possible cost.

S. 242, which I introduced on January 27, is based on the principle stated in the President's State of the Union Message: "We must offer both short term help and long-term hope for our unemployed." Short term help is provided through the incremental funding of labor intensive programs and reemployment vouchers for the long-term unemployed; long term hope is provided through a variety of provisions to stimulate retraining of those who cannot hope to return to productive employment without retraining.

However, I will not use this occasion to make the case for S. 242. The purpose of these hearings is to examine that proposal, as well as all other pending proposals, to determine how we can best improve them to create an employment opportunities program that really will provide short term help and long term hope.

Senator HATCH. Thank you, Mr. Chairman. I want to commend you for inviting Dr. Feldstein to appear before this morning's subcommittee hearing. This is a sequel to the session held just a few weeks ago with Dr. Alice Rivlin, Director of the Congressional Budget Office, and several other equally distinguished and knowledgeable witnesses on the issue of public employment programs.

It has been my pleasure to work with our subcommittee chairman, Senator Dan Quayle, whom I admire and respect for the time and effort he has devoted to understanding the problem of unemployment in our country and, of course, to developing an effective remedy.

I was pleased to join the Senator from Indiana as a cosponsor of S. 242 because it was the first bona fide legislative attempt at a so-called jobs bill. Nonetheless, I believe this bill can be improved and I look forward to the testimony we will hear today emunerating the witness' concerns and suggestions.

One of the strengths of our open political system is the ability to obtain the considered opinions of many people and organizations prior to a new law's enactment. For example, the testimony presented by Dr. Rivlin in January raised serious doubts about whether direct public employment can be a workable or even a beneficial solution to our national unemployment problem.

It is imperative, however, that we focus on structural unemployment. This kind of unemployment will remain even after the economy recovers from today's temporary downturn in the business cycle and, as a result, structurally unemployed workers face the bleakest futures of all. To meet their needs, Congress must concentrate on providing training and retraining for these workers. The structurally unemployed must have state-of-the-art skills to be productive in state-of-the-art industries.

Senator Quayle, Senator Kennedy, Senator Hawkins, myself, and other members of the Labor and Human Resources Committee, including Senator Metzenbaum, guided the Job Training Partnership Act through the Congress last year. Now, this measure, in my opinion, was a milestone in Federal employment and training policy. Any legislation we consider in the future must be complementary to the Job Training Partnership Act.

Although the JTPA is scheduled to take effect on October 1, 1983, and training programs are still being funded through this transition year, there is an immediate need for emergency legislation to deliver additional training and retraining services to the unemployed in an effective, timely, and streamlined fashion. Such a proposal can take several possible forms, but it should countenance only training for real jobs. Moreover, it should not be encumbered with excessive paperwork, regulations, and bureaucratic directives.

We have to remember that to meet permanently the needs of the unemployed, we must devise solutions which do not compromise the progress toward substantial and lasting economic recovery that has already taken place. Above all, we must not only recognize the limitations of government, but also the great capacity of our Nation's business, industry, and labor force to excel in the free market.

Mr. Feldstein, I am happy to welcome you here today before this committee. We will probably see you before the Budget Committee as well. We appreciate the work you are doing at the White House. I look forward to hearing your testimony today.

Senator QUAYLE. Senator Metzenbaum?

Senator METZENBAUM. Mr. Chairman, I want to congratulate you on being out front on this issue. There is no secret about the fact that you were out front on the retraining question. With you and the support of the overall chairman of the committee, we were able to put that legislation through and I am happy that the President joined in, finally, after really opposing the legislation in the first instance.

Now, we have a jobs program, and here again you were ahead of your President, who, in my opinion, was dragging his feet on the overall issue of jobs, talking about the voluntary sector doing it and talking about private employers doing it.

It was significant to me that in the state of the Union message, the one line that received the greatest applause was his indication that the Government has a responsibility in this area.

One out of every seven people in Ohio are out looking for a job; there is 14 percent unemployment. That is not totally different than the situation that exists in so many other places throughout the country.

Now, there is a great deal of excitement about the fact that there is a jobs bill. Let us not kid ourselves. The jobs bill that is being talked about—if that is all we do, it will be too little, too late. We have a responsibility to do far more than that which has been advocated as of this moment.

We are talking about piecemeal solutions; we are talking about a drop in the bucket. We are not talking about programs that truly would say that when the private sector has failed to provide the

jobs, possibly through no fault of its own, then the Government does have a responsibility. And whether the responsibility comes about by something similar to, or maybe even carrying the same name as the Civilian Conservation Corps that worked so well, then the Government should move in that direction.

But we go from here today over to the Budget Committee, and we know that for every 1 percent of unemployment, we add \$25 billion to the deficit. I believe that, if anything, the Congress has been the prod in an effort to bring the President along. But I believe that whether the President comes along or not and whether or not there is a threat of a veto, the Congress would be doing far less than is its responsibility if it did not take some bold steps forward to make it possible for those who want to work in this country to have a job.

I think your measure is a major step in the right direction and, as I told you from the inception, I support it. But, again, I am concerned as to whether it is enough, and I hope that we can all work together in the Congress, with or without the President's assistance, to make it possible for people to be employed in this country and to restore our Nation to a status of full employment rather than to accept these projections of continued 10 percent, 9 percent, 8 percent unemployment, even on the most optimistic projections that are being talked about today by the economists and those who appear before the Budget Committee.

I am happy to participate with you, Mr. Chairman, and look forward to working with you to see that we can do more, certainly not less.

Senator QUAYLE. Thank you very much, Senator Metzenbaum.

Dr. Feldstein, you may go ahead and proceed.

STATEMENT OF MARTIN S. FELDSTEIN, CHAIRMAN, COUNCIL OF ECONOMIC ADVISERS

Dr. FELDSTEIN. Thank you very much, Mr. Chairman. I am certainly pleased to be here this morning to testify about the problem of unemployment and about the policies and developments that will reduce unemployment in the months and years ahead.

The administration believes that unemployment is now the most serious economic problem facing the United States. In January the unemployment rate was 10.4 percent and there were more than 11 million individuals who were not working and were classified by the Labor Department as unemployed.

Nearly 60 percent of the unemployed had lost their previous jobs and were either looking for a new one or waiting for recall by their previous employer. Nearly 2 million of the unemployed were teenagers who were looking for their first job or otherwise struggling with the difficult transition from school to work.

Although unemployment is always undesirable, it is likely to be particularly painful to the long-term unemployed. About 40 percent of the unemployed have been unemployed for more than 14 weeks, and nearly one-fourth have been unemployed for 6 months or longer.

In thinking about the policies to reduce unemployment, it is important to distinguish between cyclical unemployment and struc-

tural unemployment. Even if the economy were not in a recession, there would inevitably continue to be some unemployment as individuals change jobs, as new individuals enter the labor force, and so on.

There is a floor level of unemployment below which the unemployment rate cannot be depressed and maintained without putting excessive strains on the labor and product markets, strains that would cause the inflation rate to spiral higher and higher.

This floor on the unemployment rate, which may be called the inflation threshold unemployment rate, is now probably between 6 and 7 percent. If we take the inflation threshold rate to be 6.5 percent, we can divide the current unemployment into a 6.5 percent inflation threshold or structural component, and a 3.9 percent cyclical component.

Thus, about 4 million individuals, or 38 percent of the current unemployed, are cyclically unemployed. It is important to reduce both cyclical and structural unemployment, although the methods of reducing these two components are very different.

LABOR MARKET SUCCESS

Before looking at the policies and prospects for reducing unemployment, it is useful to look at how the labor market has functioned in the dozen years since 1970. Because of the current high unemployment rate, it is easy to complain that the labor market works badly and to bemoan the fact that it has recently failed to provide jobs for all those who want them.

In fact, the experience of the past dozen years shows quite the opposite, that the U.S. labor market works extremely well at providing jobs for a rapidly expanding work force. Between 1970 and 1982, the number of employed persons grew by 21 million. The labor force participation rate of females grew from 43 percent to nearly 53 percent. The number of employed women rose by nearly 50 percent; their unemployment rate is now actually lower than that of men.

Over a long period, the labor market has also responded well to the changing mix of educational skills and has employed a rapidly growing share of college graduates without any significant increase in their unemployment rate.

This very good performance stands in sharp contrast to the European experience of the past decade. I recently accompanied Vice President Bush on his trip to Europe. We were frequently reminded that the unemployment rate in the European Economic Community has risen every year since 1973 and now stands at more than three times the rate of a decade ago. Even more disturbing, EEC employment is actually lower now than it was in 1970. I will return to the reason for this difference and to the implications for the United States toward the end of my testimony.

ECONOMIC RECOVERY AND CYCLICAL UNEMPLOYMENT

First, however, I want to discuss cyclical unemployment. There is only one thing that can eliminate the cyclical unemployment in the United States: a sustained economic expansion. An economic

recovery is by far the best jobs program. Indeed, it is the only jobs program that really works.

As you know, the Department of Labor recently announced that private employment in the United States rose by 339,000 between December and January. Imagine how much would have to be spent on a so-called jobs program that was aimed at providing that many jobs. At \$15,000 per job, the Government would have to pay \$5 billion to hire 339,000 individuals.

However, since not everyone who was hired in such a program would otherwise have been unemployed, and since the Government borrowing would crowd out private spending, many of the newly created jobs would be offset by a reduction in private employment. Thus, creating 339,000 additional jobs would cost far more than \$5 billion.

The potential job-creating effects of a public employment program—

Senator METZENBAUM. Mr. Feldstein?

Senator QUAYLE. Let him finish.

Dr. FELDSTEIN [continuing]. Are simply dwarfed by the likely accomplishments of a natural economic recovery. The administration forecasts that even with a moderate recovery that raises real GNP by 3.1 percent in 1983 and 4 percent in 1984, there will be 2 million more people employed a year from now, in the first quarter of 1984, and 5 million more employed by the first quarter of 1985. By 1988, continued real economic growth at 4 percent a year can eliminate all cyclical unemployment.

And evidence is accumulating that indicates that the United States either is or soon will be in an economic recovery that can provide those jobs. In addition to the recent rise in employment, we have seen an increase in average working hours per week, a rise in new orders, a turnaround in the backlog of unfilled orders, an increase in industrial production, and many, many other signs.

In arguing against specific job-creating programs by the Government, I am, of course, not unaware of the Keynesian theory that an increase in Government spending can, by increasing total demand, lead to a higher level of output and employment in the economy. But surely even the most ardent Keynesian is likely to feel that a budget deficit of more than \$200 billion in 1983 represents sufficient fiscal stimulus.

Indeed, increases in Government outlays aimed at increasing employment may be counterproductive. If the increased deficits in 1983 are interpreted as an indication that deficits will continue to grow in future years, the current deficits may induce disproportionately large increases in long-term interest rates during the present year. The result could be a greater decrease in private employment than the initiating increase in public employment.

Although additional Government spending on labor-intensive activities cannot be justified in Keynesian terms or as a method of pure job creation, there is a simple but important reason why it can be desirable to speed up some Government projects that would otherwise be done in the future.

To the extent that the labor and plant capacity that would be used in such projects would otherwise be unemployed this year, the true cost of doing the projects now is less than it would be later if

there were less unemployment. I say "true" cost because even if the dollar outlay is the same, the cost is less now in the sense that the resources that are used would otherwise be nonproductive. In the technical language of economics, the projects may be worth doing now rather than later because the opportunity cost or the social cost of the resources are lower now than they would be at a later time.

If some prospective spending in future years is shifted forward for this reason, it must be made very clear to the financial markets and to others that advancing the date of future outlays does not mean an increase in cumulative Government spending and cumulative deficits over the next several years as a whole.

The prospect of enlarged cumulative deficits and the resulting increases in the Government debt could, by suggesting a reduced determination to control deficits in future years, cause a rise in interest rates that would result in a reduction in private spending that exceeds the increase in Government outlays. This would hurt the recovery and mean that the cost of the Government spending was very high indeed.

Let me now summarize what I have been saying about cyclical unemployment. First, an economic recovery and sustained expansion is the only way to get a substantial and lasting reduction in cyclical unemployment.

Second, programs aimed at creating jobs by direct public hiring or further Keynesian expansion of demand are inefficient and may be counterproductive. Third, a rescheduling of Government spending on maintenance or capital investment from future years to 1983 may nevertheless be a desirable way of reducing the real social costs of providing Government services.

STRUCTURAL UNEMPLOYMENT

Although the Government's role in countering cyclical unemployment is best limited to the provision of monetary and fiscal conditions that are conducive to a sustained economic expansion, there is scope for a more active role for Government policy in dealing with the special structural employment problems of young people, of the low-skilled, disadvantaged groups, and of the long-term unemployed. For each of these groups, the ordinary working of the market may fail to achieve appropriate employment. Moreover, in each case the individual may benefit from additional formal training or on-the-job training that might only be possible with Government assistance.

The President will soon submit to Congress his Employment Act of 1983. This and other legislation will strengthen and expand the opportunities for training and for on-the-job experience. It will also make it easier for the long-term unemployed to return to work.

Among the specific proposals in this legislation are the following: The provision of \$240 million in training and job search assistance for the structurally unemployed; second, a granting of permission to States to use the unemployment insurance tax to finance retraining and job search assistance; third, a lower minimum wage for youths in summer months to make it possible for firms to hire and train many of those who are now precluded from such opportu-

nities; fourth, an extension of Federal supplemental compensation to support the long-term unemployed; and, fifth, a new feature of the Federal supplemental compensation that would permit eligible individuals to convert their weekly benefit into a voucher that would help them find employment.

These new programs supplement the Job Training Partnership Act that, as you know, was enacted last year and provides \$1.9 billion to provide training for poor and young people, and over \$1.2 billion to help youth through the Job Corps and summer youth employment programs. The targeted jobs tax credit and the special targeted jobs tax credit for summer youth employment are also potentially helpful.

S. 242

Many of the administration's aims and methods are shared by S. 242, the Employment Opportunities Act of 1983, recently introduced by Senator Quayle. Where the administration's approach differs, it certainly is not because we do not have the same purposes and goals, but only because, in our judgment, those purposes are best served by somewhat different program designs.

For example, we obviously agree with you, Senator Quayle, about the importance of funding title III of the Job Training Partnership Act to provide assistance to dislocated workers. The administration has, in fact, proposed \$240 million for that purpose for fiscal year 1984. We have provided \$25 million in the current fiscal year for startup costs, but do not believe that an additional \$100 million this year, as proposed in S. 242, could be well spent because regulations have not yet been finalized and assistance will not be provided until at least June.

The idea of permitting dislocated workers to withdraw their IRA contributions, as suggested in S. 242, raises some fundamental notions about the character of individual retirement accounts. Many workers change jobs each year. Should all of them really be allowed to withdraw IRA funds without penalty? If now, how would withdrawal without penalty be limited to those cases where financial hardship would otherwise exist? We are frankly afraid that these problems would create administrative complexities and an inappropriate departure from the principle of the retirement account.

We agree very much about the importance of retraining, and this plays a central role in the administration's Job Training Partnership Act program. We are also proposing to allow States to use the unemployment insurance tax to finance additional retraining activities. But we are reluctant to transform the Federal supplemental compensation benefits into a lump sum payment for retraining. Doing so would leave individuals who exhaust their regular UI benefits with no cash support to finance their living expenses.

The S. 242 proposal to use 75 percent of FSC benefits as reemployment vouchers over a 10-month period is similar in spirit but different in detail from the administration's proposal. I believe that the administration's proposal is preferable because it provides a more substantial weekly voucher, and therefore gives a greater chance to the eligible individual to obtain new employment.

We do not accept the S. 242 idea of an additional requirement that Federal agencies should target procurement in labor-surplus areas. Existing Federal regulations do this to some extent already and further targeting could reduce the efficiency and efficacy with which Federal funds are spent.

The S. 242 proposal to provide a \$2 billion subsidy to labor-intensive, federally assisted programs is a far less useful way to spend scarce Government funds to create additional jobs at this time than the administration's proposal to advance the construction and maintenance outlays that would otherwise have to be made later and to provide special relief for the neediest of the unemployed.

Let me emphasize that despite these detailed reservations, we do share the aims of S. 242 to provide immediate aid to the unemployed and to strengthen the existing programs for aiding dislocated workers and other long-term unemployed.

EUROPEAN EXPERIENCE

I mentioned at the beginning of my testimony this morning the substantial difference between the European and American experience with employment and unemployment over the past decade.

In the United States, labor force participation grew and employment is now more than 20 percent higher than a decade ago. But among the 10 countries of the European Economic Community, total employment is actually lower than it was a decade ago. The unemployment rate in the United States rose from 5.6 percent in 1972 to 9.7 percent in 1982. The unemployment increase in Europe was much greater, from 2.7 percent in 1972 to 9.4 percent in 1982, more than a threefold increase.

Although there are, no doubt, many reasons for the substantially different employment experiences of the United States and Europe, economic researchers who have studied this question have emphasized the greater flexibility of real wages in the United States.

It is widely recognized that the sharp increases in the prices of oil and other raw materials in 1973 and 1979 reduced the real incomes of the United States and other oil-importing nations and raised the real incomes of the oil-exporting nations.

Moreover, within nations, there was a transfer of income to owners of oil from all other groups in the economy. This inevitable reduction in the real incomes of those who do not own oil meant that businesses would earn lower profits and that employees would earn lower real wages. This, of course, is just what we have seen in the United States in the past decade.

The profitability of the nonfinancial corporate sector in the past decade has been lower than in the two preceding decades, even when adjustment is made for differences in business cycle conditions. Real wages in the United States have grown much more slowly in the last decade than they did in the preceding 20 years. This downward adjustment in real wages permitted employment to expand substantially in this country and prevented a substantial secular rise in unemployment.

In contrast, real wages in Europe did not adjust adequately to the higher prices of energy and other raw materials. With real

wages too high, firms could not afford to hire enough employees to keep the unemployment rate from rising year after year.

Moreover, the unwarrantedly high real wages in Europe have depressed profits, and thereby discouraged investment in new plant and equipment. While this explanation oversimplifies the situation and ignores the important growth of employment that has occurred in some industries, I believe that it correctly portrays the prime reason for Europe's sustained employment problem.

There is, of course, a similarity between the general European experience and the employment problems in some American industries. This common experience confirms that when real wages are too high, employment and output will inevitably decline. In those American industries where high real wages are not matched by comparable productivity, we will continue to see declining employment and the suffering of dislocated workers.

Fortunately, however, the problem of excessively high real wages is not widespread in the American economy. We can be very grateful for the vitality and flexibility of the American labor market that has, over the years, responded so well to substantial changes in supply and demand.

As the economic recovery progresses, our economy will provide millions of additional jobs. It is important now that the Government direct its attention to the most critical problems of the structurally unemployed and avoid doing anything that might reduce the prospects for a sustained recovery.

Thank you.

Senator QUAYLE. Thank you very much, Dr. Feldstein.

In the interests of time, I am going to try to keep an eye on my watch and restrict the questioning of each Senator to 10 minutes. If someone comes up and drops you a slip of paper, your 10 minutes have expired. Dr. Feldstein has got to leave at around 10. If each of us uses 10 minutes, that will take us to the 10 hour. If there is extra time or if he has a few extra minutes at the end, I am sure that he will answer one or two more questions.

Dr. Feldstein, I was struck, just going through your testimony, by the emphasis on the 339,000 new jobs in nonfarm payroll employment. But I also notice, in those same statistics, that in total employment, farm and nonfarm, you are only talking about really 12,000 new jobs.

Also, if you look at the actual unemployment figures without the seasonal adjustment, the unemployment numbers have actually gone up in these statistics. The reason I bring that up is because you spent a couple of pages talking about the 339,000 new jobs, and if you really put that in a proper perspective, I think it is probably a lot less than that; would you not agree?

Dr. FELDSTEIN. Well, I think you are certainly correct in pointing out that the seasonal pattern always brings more unemployment in January. But I think that to get a sense of where the economy is moving, it is appropriate to look at the seasonally adjusted figures.

I think you also raise another important distinction, and that is between the household survey numbers and the survey of nonfarm establishments. The household survey numbers from which we got the unemployment figures, showing a drop in unemployment from 10.8 to 10.4 percent, have a number of puzzles in them this month.

Many of the experts have looked at it and have worried that a certain amount of that drop is probably due to problems with seasonal adjustment, and I would agree about that.

Senator QUAYLE. Yes. I just bring it up to show that there are other statistics that show different conclusions, although I think the emphasis is correct that we are on our way up. As dramatic as that 339,000 is, I just wanted to interject those other statistics that are in this report.

My question to you concerns the President's legislation, and I wonder if you might be able to give us an actual dollar amount that is going to be requested in this emergency supplemental and how that is going to be broken down.

Dr. FELDSTEIN. No; I really cannot give it to you at this time. As you no doubt know, there are still discussions going on between the administration and members of both parties in both Houses, so that a definite plan has not come forward and has not been finalized.

Senator QUAYLE. Is it fair to say that most of the funding that is going to be requested for jobs creation will be more along the lines of public works employment; in other words, construction employment very similar to the accelerated public works programs that we have had in the past? Is that a fair assessment of what we are going to get in this supplemental?

Dr. FELDSTEIN. Well, let me speak in somewhat general numbers, but just indicate the composition. The package of about \$7 billion that is being discussed now between the administration and others includes about \$3 billion additional funds for unemployment insurance benefits.

Senator NICKLES. How much?

Dr. FELDSTEIN. About \$3 billion for unemployment benefit extension. The other \$4 billion—part of it deals with specific humanitarian assistance for those with greatest personal suffering. The largest part of it deals with bringing forward to the 1983 calendar year the construction and maintenance activities that we know need to be undertaken and that were already provided for in the budget for future years.

As I said in my testimony, it is our feeling that this would be a way of getting necessary things done, things that we intended to do anyway done, at a time when there is more slack in the economy and when the real resource cost of doing it is lower.

Senator QUAYLE. OK. Now, presumably, bringing forward of the construction and maintenance would cost a little over \$3 billion—

Dr. FELDSTEIN. I do not want to be committed on the composition of that \$4 billion.

Senator QUAYLE. Yes, I know, you do not want to be exact. Don Regan said yesterday before the Budget Committee that he thought about \$700 million was going to be in humanitarian aid. So, if I deduct that, you are talking about approximately \$3.3 billion.

Dr. FELDSTEIN. Let us agree that that is your number.

Senator QUAYLE. That is my number. The record will show that that is my number and not your number.

You are talking about construction and maintenance that you are going to bring forward from the fiscal year 1984 budget and put

it into the fiscal year 1983 budget. Now, my question is, Will you be revising the fiscal year 1984 budget downward in these categories?

There seems to be a big question here of whether this is new money. Is this old money? Is it some new, some old? What are we talking about?

Dr. FELDSTEIN. I think I can clarify that. Let me be very concrete. We are talking about spending money on repairs and maintenance on a Veterans' Administration hospital for example. Once we fix that building once, we do not have to fix it again, so that we are talking about shifting funds that would otherwise be spent in 1984 or 1985 and spending those funds in 1983.

For 1983, that is additional money, but cumulatively, over 3 years, say, it is not an increase in money. It is moving a job forward rather than doing it later on.

Senator QUAYLE. OK. If you are going to move it forward, then you really are talking about revising your fiscal year 1984 budget downward in those construction and maintenance accounts by the cost of what will be done in fiscal year 1983; is that correct?

Dr. FELDSTEIN. The actual outlays in future years would be revised downward; near-year would be revised up, yes.

Senator QUAYLE. You are an expert. Have you ever known a Congress that will take something one year and be willing to give it back in out-years? I mean, are we not really talking about new, additional money, contrary to what we may think theoretically, contrary to how it may work on paper?

I have been here only 6 years now and I have never really known of a Congress that can get what it wants this year and the political will is certainly here in the Congress on both sides and in the administration—and then give it back in the out-years.

Dr. FELDSTEIN. Go back to that hospital; you can only fix it up once.

Senator QUAYLE. Yes, but there are other hospitals and other things that are going to come on line at that time.

Dr. FELDSTEIN. But the administration will not be proposing additional activities for 1984 and later years to supplement what they have already proposed. It is really a rescheduling, and it is my understanding that it is the administration's intention to move that spending, not add additional budget authority cumulatively over these 3 years.

Senator QUAYLE. Is the main purpose of moving this money forward to create jobs? Is that the main emphasis that we should deduct from this jobs proposal?

Dr. FELDSTEIN. I do not think we have to decide what the main emphasis is. I think what we can realize is that it is a more efficient use of those funds. We are getting the job that needs to be done done earlier; we are getting it done at a time when the real resource cost is lower. And, of course, it will add to jobs and it will add to the psychological climate that the economy is moving faster toward recovery.

Senator QUAYLE. Do you have any idea what will be the price tag per job under this proposal?

Dr. FELDSTEIN. No; because I do not think that is the way we are thinking about it. We are thinking about this as a useful, necessary thing that needs to be done, and the discussions both within the

administration and with Members of Congress have emphasized the idea of moving forward in time things that need to be done.

Senator QUAYLE. It is useful and beneficial, but that is the same sort of phraseology we heard during the consideration of the Highway Improvement Act last year. There is a dispute over whether it was a jobs bill. Most conclude that it was not a jobs bill; that we had to do it to repair the infrastructure. However, the President did talk about a jobs bill last night in his press conference.

Dr. FELDSTEIN. There is a fundamental difference between this and the highway bill.

Senator QUAYLE. Yes; I think there is. But my point is that if we are talking about jobs, I think it is important for us to attach a dollar value per job. This is the problem I have with a public works proposal because if you look at the public works programs, they are very, very expensive. The cost per job ranges from approximately, \$50 to \$60 or \$70,000 per man-year. Whereas if you look at public service employment and you look at labor-intensive programs the cost is down to approximately \$15,000 per man-year. This is a big difference and we have this in our bill.

If you take those numbers, and if you want to look at jobs, our approach will get you far more jobs for the amount of money than will a public works proposal. I bring that out for discussion because I think it is fairly important.

Dr. FELDSTEIN. I think we clearly want to emphasize that we are not trying to buy jobs; that the emphasis is on what needs to be done, on the specific activities in maintenance and construction that need to be done. Some of those are going to be very labor intensive and others are going to be less labor intensive. That has been considered in selecting the things to be moved forward, but it is not a jobs-buying activity.

Senator QUAYLE. One other question and then I will yield to Senator Metzenbaum. It takes quite a bit of time to get traditional public works on line. As a matter of fact, under the normal standard of public works proposals, your actual jobs would not begin until after fiscal year 1983, and maybe even fiscal year 1984, 9 months down the road.

With public service employment, is only a matter of weeks before the jobs start. There has got to be consideration of how soon the jobs will begin. Under traditional public works, there is going to be a long lagtime and we may be into the recovery by that time.

Dr. FELDSTEIN. My understanding, Senator—and I do not claim to be an expert on this—but my understanding is the whole reason for considering this as a shift forward in time is that it is believed that the kinds of activities we are talking about here can be well underway in the current calendar year, so we can actually move forward.

Senator QUAYLE. I would only say from past experience that it looks like the kinds of programs you are talking about accelerating take a considerable amount of time to start up, and there is going to be a tremendous lag between when Congress acts and we actually see the legislation get through the pipeline and translate into jobs, whereas in another approach that we are talking about, public service employment, you can see the actual jobs in a matter of weeks or a matter of months.

My time is up and I thank you. Senator Metzenbaum?

Senator METZENBAUM. Mr. Feldstein, are funds that are part of the administration package targeted to areas of high unemployment?

Dr. FELDSTEIN. I really should not say where the targeting is; I do not know.

Senator METZENBAUM. Is there any targeting?

Dr. FELDSTEIN. I really do not know. I do not know enough about the local use of the funds that have been identified within the package.

Senator METZENBAUM. Mr. Feldstein, what concerns me about the so-called economic recovery, about which I myself have some personal question, is with all of the Government spending that is going on, so much of it is going into the defense industries.

Now, you do not have to be a genius to know that that money goes to the South and the Southwest, in the main, and the Northeast and the Midwest literally get clobbered. Now, what plans does the administration have to see to it that there is some equity and that the problems of the Northeast and the Midwest are not aggravated by reason of some of the spending programs which the administration is backing so strongly?

Dr. FELDSTEIN. My sense is that it is the regions that you have talked about—the Northeast, the Midwest, and Ohio—that are, in general, most hard hit by any cyclical downturn. They have a heavy concentration of cyclically sensitive industries—industries like steel. And when the economy begins to recover, those States which have gone down most during the decline will also come back most.

The fact that we saw a very substantial increase in industrial production in steel and autos must be good news for Ohio. I think Ohio is the kind of State that benefits most from a natural economic recovery rather than some force-feeding where you try to target dollars here or there.

Senator METZENBAUM. Well, I am happy to hear you say what you are saying, except I am not feeling it in my own State. You have a very, very modest callback in the auto industry. I do not know of any callback, actually, in the steel industry. The farm implement industry, part of which is in Ohio, is fighting to keep its head above water and from going bankrupt.

The technology industries are very much concerned now about foreign imports and have banded together in order to try to resist that. What concerns me is where is this recovery coming? What industries are going to be so great?

Now, I know that the stock market is signaling that they are going to be great. But the fact is we know we are going to get higher interest rates. Mr. Volcker yesterday indicated interest rates are not coming down any further. We know that banks are charging higher interest rates now in order to compensate for possible future bank failures or losses on foreign loans.

What concerns me is where is it coming from? You say it is coming to Ohio, but tell me a little bit more about that, if you will, because people in Ohio are not in the streets jumping up for joy; in fact, they are in the streets looking for jobs.

Dr. FELDSTEIN. It would be surprising if they did jump for joy with the 14-percent unemployment rate that you referred to. We really are just at the point where I think there is reason to begin to have more optimism that an economic recovery is beginning, but it will take time; there is no question about that.

Now, let me be more specific about Ohio. I think steel production has dropped to very low levels and we really can expect to see steel production rising. We have already begun to see that in the January industrial production figures.

The automobile industry definitely feels that we are going to have an increase in automobile production this year. Automobile production has been coming up gradually over the past several months. It was operating at a 6.2-million-domestic car rate in the most recent 10-day figures that we saw, and that is an improvement over where we have been in recent months.

Within the automobile area, rubber is another Ohio product, and I think as we see increases in auto production, the tire industry and things that are associated with—

Senator METZENBAUM. There are no tires made in Ohio anymore.

Dr. FELDSTEIN. No more?

Senator METZENBAUM. Not in Akron; they are all down South.

Dr. FELDSTEIN. You referred to farm implements, and I think that is an important example of the nature of the current recession and what has to be done to help not just that industry but many other industries that are struggling for their share of world markets and are now beginning to compete with foreign imports into markets in this country.

The real problem there is very simple; it is the high value of the dollar. The dollar in real terms has risen more than 30 percent in the last couple of years, relative to other major currencies of the world.

Senator METZENBAUM. Mr. Feldstein, I do not mean to interrupt you, but what is bothering me is this: the administration said 2 years ago that Reaganomics would work and that we should have hope and it was going to help the economy. The administration now says the economy is going to get better, and you say there are some little indicators. I find them to be extremely minuscule.

I talk to people in Ohio, and I might say I do not think my State is much different than most other States. There is this continued fear; 50 percent of young blacks in this country still looking for jobs—no hope. What bothers me is that all we have is assurances that something is going to get better, and yet I do not see the Government accepting its responsibilities.

Dr. FELDSTEIN. Let me finish for a moment what I was saying about imports because I think it is important, and important to Ohio and to the country.

Senator METZENBAUM. I did not mean to interrupt you and I apologize.

Dr. FELDSTEIN. The reason that we have such a high value of the dollar—the fundamental reason is our large budget deficits. Those large budget deficits are drawing funds from the rest of the world; they are keeping the dollar high. As long as we continue to have high budget deficits and the prospect of high budget deficits in future years, we are going to continue to see an elevated exchange

rate and a very tough time for any industry in this country that has to compete abroad or compete in this country with imports from abroad.

That is why I think the most important thing that we can do for economic recovery is start bringing down those outyear deficits, reassuring the financial markets here and abroad.

Senator METZENBAUM. In order to do that, do we not have to do something about the fact that 16 Republican Senators about a year ago wrote to the President of the United States and said, "Mr. President, we did not know that 50 percent of the corporations of this country will not be paying any taxes by 1985?"

Do we not have to do something about the fact that we reduced taxes for the rich to an unbelievable point? We reduced maximum taxes from 70 percent to 50 percent; we reduced the capital gains from 28 to 20. We reduced the tax across the board for the rich and did not do anything for the poor, but forget about that for a moment.

All the way across the board, we have reduced taxes for the rich and there has not been one word coming out of this administration about undoing some of the wrongs that we did in the past, and you are one of the those who are the least willing to stand up and speak out and say we went too far on the tax bill.

All you talk about is tripling telephone taxes, doubling cigarette taxes, adding a consumer tax.

Dr. FELDSTEIN. Senator, you must be talking about last year's debate. My recollection about what happened last year was that there was a very big tax increase; that the President took the lead on it.

Senator METZENBAUM. Peanuts; \$100 billion against \$750 billion.

Dr. FELDSTEIN. And it fell primarily on business; that virtually all of the tax increases last year were changes in the business tax.

Senator METZENBAUM. Doubling the cigarette tax was on business? Tripling the telephone tax was on business?

Dr. FELDSTEIN. Look at the total dollar——

Senator METZENBAUM. Taking away the deduction for casualties?

Dr. FELDSTEIN. I think if you look at the total dollar amount——

Senator METZENBAUM. My time is up.

Senator QUAYLE. The Senator's time has expired.

Senator Hatch?

Senator HATCH. Dr. Feldstein, I appreciate your being here today. We have discussed various forms of Federal policies that could affect unemployment. Are there any regulatory barriers that could be reduced or eliminated which prevent access to employment opportunities?

Dr. FELDSTEIN. Well, one of the things that the administration is proposing and that the President will propose in legislation to be submitted is the problem of the minimum wage, which is probably the single most important regulatory barrier, if you can call the minimum wage that, which stops young people, particularly those who are low skilled and less educated, from finding jobs, and more importantly, it stops them from finding a chance to have meaningful on-the-job training experience.

Senator HATCH. Will the final product you come out with be something like the youth opportunity wage differential that we have been talking about for a number of years up here?

Dr. FELDSTEIN. As the President I think has made clear in previous statements, we are talking about a reduction to 75 percent of the current minimum wage for youth during the summer months. So, it is explicitly aimed at people who are leaving school, during a few months after they leave school, to get them an opportunity to buy on-the-job training, if you want to call it that.

Senator HATCH. How many youth jobs do you think you would engender with that type of an approach during the summer months?

Dr. FELDSTEIN. I will have to get you that number. There was an estimate made by the Department of Labor when we worked on this. There is obviously a fair amount of uncertainty, but we are talking about hundreds of thousands of job opportunities.

Senator HATCH. You are actually talking about hundreds of thousands of jobs for young people that otherwise would not be offered.

Dr. FELDSTEIN. And I would emphasize it is not just jobs, but the chance to get on-the-job training and on-the-job experience, because the employer will not have to pay them as much; he can afford to invest more in them, to give them more opportunity to spend time watching experienced workers and try their hand at a different task.

Senator HATCH. I see. As I understand it, with regard to our concerns about large, industrialized areas that seem to be losing jobs, for many reasons, you are going to offer in this package \$240 million for retraining purposes; in other words, retraining of displaced workers.

Dr. FELDSTEIN. Exactly.

Senator HATCH. Now, that would, it seems to me, assist primarily those States where they have the bulk of displaced workers. When we are talking about displaced workers, we are talking about people who will probably never get their jobs back in the steel industry, the automobile industry, and sometimes the mining industry, et cetera. Am I correct?

Dr. FELDSTEIN. That is correct.

Senator HATCH. You are saying you cannot really effectively spend much more than \$240 million during calendar year 1983. Am I right on that?

Dr. FELDSTEIN. Well, the \$240 million is for 1984.

Senator HATCH. That will be 1984.

Dr. FELDSTEIN. And for 1983, there is \$25 million for startup. We are really still in the process of writing the regulations for the new private industry council activities under the Job Training Partnership Act that obviously you know all about.

Senator HATCH. That is right. In my understanding, there are 300,000 jobs out there that are going wanting right now in the machining and tooling industry, is that correct?

Dr. FELDSTEIN. I do not know that figure, but I can believe that that is true because of lack of experienced and skilled people.

Senator HATCH. We do not have enough tool and die makers, we do not have enough machinists; we do not have enough people with

these kinds of manufacturing skills. That is part of the reason why America's industrial machine is having some difficulties today.

It is my understanding that there will be 300,000 of those jobs that we need to retrain for, and some of these people who are displaced workers might be able to be retrained for those jobs. They tell me that there are nursing jobs out there right now, if we could get people trained for those types of jobs.

There are hundreds of thousands of jobs in the computer-related fields—production, maintenance, programing, installation, et cetera. And there are a lot of other demand fields, like home health care, law enforcement, math and science, education, et cetera, where we really need to retrain people to fill these jobs. Do you disagree with any of that?

Dr. FELDSTEIN. No; I do not.

Senator HATCH. In your testimony, you have emphasized monetary policy, certain changes in Federal employment, and regulatory policy as a means, along with certain fiscal actions that you will detail later, of solving the problems created by the current recession.

What evidence is there that fiscal action—that is, more spending—by themselves have ever pulled the economy out of a period of slack activity? Is there any evidence that that has ever worked?

Dr. FELDSTEIN. In fact, our position is that that would be a mistake in itself, and that more spending would run the risk of pushing up interest rates and cutting back private demand to an even greater extent than an increase in public demand.

Senator HATCH. I see. In your testimony, you make it clear that there is a negative consequence to financing massive public employment programs, and you make a number of strong points in that regard.

Dr. FELDSTEIN. That is correct, Senator.

Senator HATCH. I would like you to expand on this observation. For instance, is it possible to identify specific industries or categories of workers that would be hurt by such large-scale public employment programs? Would you expand on that and tell us why make-work public sector jobs may not be beneficial to the economy at this time or any other time?

Dr. FELDSTEIN. I think the critical point is that an increase in spending at this time would frighten participants in the financial markets here and the rest of the world that the administration and the Congress are not serious about bringing down the outyear deficits. If it appears that those deficits are not going to be brought down substantially and we are going to go on having deficits that are 4, 5, 6 percent of GNP, then we will see interest rates not come down, but possibly rise.

A very small increase in real interest rates can do much more harm to our economic recovery and to jobs over a wide range of interest-sensitive industries than the potential good that might be done by a jobs-creating program. I think that an increase in interest rates produced by a fear of continued deficits would have an adverse impact on construction, housing, steel, capital goods industries, and on all of those international trade industries that are indirectly sensitive to our interest rate and deficits through the exchange rate.

Senator HATCH. You make the point that if we do not watch ourselves, we may be doing something that is counterproductive in the interest of trying to help people get jobs.

Dr. FELDSTEIN. Exactly, Senator. The last words that I said were that it is important now that the Government direct its attention to the most critical problems of the structurally unemployed and avoid doing anything that might reduce the prospect for a sustained recovery. "Do no harm" might be the most important thing to be said at this point.

Senator HATCH. One of the things that worries me in this whole, overall problem is that, as I look at it, last year's M_1 growth was very low in the first 6 months and very high in the last 6 months and, on an annualized basis, was 8.7 percent, as contrasted with the Carter 1978, 8.1 and 1979, 8.3 percent growth in the monetary supply, or M_1 .

It seems to me that with that type of growth in the money supply, especially if it continues, we will have a good economy, perhaps especially by the end of this year. But next year, we are probably going to have an increase in inflation and maybe some of the increase in interest rates that you have been talking about. Do you disagree with that?

Dr. FELDSTEIN. Yes; I think I do disagree with that, and let me summarize briefly why. I think the sharp increase in M_1 that occurred in the second half of 1982 was primarily a response to a reduction in interest rates—a reduction in interest rates that was justifiable, in my judgment, because of the sharp reduction in inflation that had occurred earlier.

So, what we had was a reduction in interest rates and an increase in the demand for M_1 balances. M_1 balances are basically either noninterest-bearing or bear a fixed rate of interest, so that the cost of holding M_1 balances in terms of what might have been earned on other kinds of deposits, like money market mutual funds, had gone down, and the result was that individuals and businesses wanted to hold more of their assets in that form.

The Fed allowed that to occur, but since there was no increase in the supply of money in excess of the increased demand for funds, there was no attempt to pour more money into the system than people wanted to hold because of these lower interest rates. I do not think it would be inflationary.

I think attempts to go on doing that, to force down the interest rates more than was justified by the lower rate of inflation, could be inflationary, and it is important that the Fed pursue the policies that Chairman Volcker announced yesterday of going back to more restrained monetary targeting in 1983.

Senator HATCH. Thank you. I appreciate your testimony.

Senator QUAYLE. The Senator's time has expired.

Senator Kennedy?

Senator KENNEDY. Thank you very much, Mr. Chairman. First of all, I want to thank you for holding these hearings this morning. It is a continuation of your own very exceptional service both to the committee and to the Senate in the work that is being done on the whole issue of jobs, job training, and job creation.

I want to welcome our witness, Professor Feldstein, to the committee. As a resident of Massachusetts, he shows very well that di-

versity is still alive and well in our State. He has had a distinguished career and he is well known for his economic views. I want to welcome you to this committee.

Dr. FELDSTEIN. Thank you, Senator.

Senator KENNEDY. I would agree with you, Professor, that the most important way to bring a restoration of jobs in our country is the restoration of our economy. I believe that will require an alternative economic program. We may differ on that, but that is something that I believe is becoming increasingly apparent to the Members of the Congress and to the American people. The advice of staying the course just will not work.

I think members of your own party are increasingly aware of this. I know a handful of us did not believe it would work from the very beginning.

Today, we are talking about a emergency jobs program. Quite ironically, the program now being supported by the administration is the same kind of program that was rejected by the administration only several months ago. You yourself had serious reservations about it, but now you support it.

I believe the bill Senator Quayle and I have introduced target in on the unemployed more effectively. We will not have time to review that this morning, but there is no question that there is a great deal of confusion among the American people at the present time. First of all, confusion surrounds the projections of economic growth and what that is going to mean in terms of putting people back to work.

Similarly, there has been confusion in your own testimony before the various committees of the Congress, and this has resulted in great confusion among the American people. But rather than getting into your projections of unemployment or percentage of growth in GNP in future years, and instead looking at it from the average workers' point of view, I believe the difficulty that they have with the administration's program is the issue of equity and fairness.

You have talked about the difficulty that Congress and the administration would have in supporting an effective jobs program—the one that I have introduced is a \$7 billion program. Yet they are prepared to cut the taxes for the wealthiest individuals next year alone by almost \$10 billion.

Now, the average unemployed person says, we hear Professor Feldstein talking about the money markets and how the people on Wall Street are all concerned about if we are really going to do something meaningful to provide jobs for people who, in many instances, have worked 10, 15, or 20 years and are the breadwinners for their families. And we also hear how we cannot afford that kind of a program to meet important needs in our country because the money markets are going to be concerned about rekindling inflation.

Yet, we are going to go ahead and stick with your program to reduce the taxes for the wealthiest individuals in our society, and we are prepared to open up the Treasury for weapons systems.

Now, I believe we should allocate what is essential for national security and defense. But the average unemployed individual who cannot afford a mortgage, cannot put food on the table, cannot edu-

cate his children, and is scared to death about the increases in co-pays and deductibles that this administration has recommended in terms of health, has to ask where is the fairness and where is the equity? Why are the money markets not as concerned about the increase in the deficit resulting from defense as they are about the deficit arising from trying to provide at least a temporary job for someone who has worked his or her whole life until we get a restoration of our economy?

Dr. FELDSTEIN. I take it that is a question?

Senator KENNEDY. Well, yes; I can put a question mark at the end of it. Would you agree or differ, Dr. Feldstein?

Dr. FELDSTEIN. I think I might have some disagreement.

Senator KENNEDY. Well, to the equity issue, if you could.

Dr. FELDSTEIN. Let me start with the first point that you raised about whether the President's economic program is working. I can understand how, during the past year with unemployment high, people have had some doubts. Indeed, back in 1981 I would have thought that they would have worried quite a lot. Unemployment was high; inflation had not come down.

Yet, by 1982 we saw a dramatic turnaround in inflation. The kind of inflation that had frightened people in 1980 was now becoming a thing of the past. We had an inflation rate last year that was one-third the inflation rate of 2 years before, and inflation no longer frightens people the way it did before.

Now, of course, we are beginning to see an economic recovery, and that is not just the administration's view. Indeed, as you know, we have been very cautious and very moderate in our forecasts. It is the view of the Congressional Budget Office, it is the view of leading economists of all technical and political persuasions that 1983 is going to be an up year.

I think that as that becomes clearer and clearer and as the unemployment rates drop more and more and as there are more recalls in Massachusetts and in Ohio and in Indiana, we will begin to see a much wider understanding on the part of the public that this program has worked.

Senator KENNEDY. Well, that is not what the people of Massachusetts are telling me. They are saying that there is greater fear and less confidence in the administration's economic program. I think that fear is showing up in the various studies, and I bet that it is even showing up in the President's polls.

What you are basically suggesting to us, and your testimony mentions this and it is also in an earlier comment, is that the way to get inflation down is to throw men and women out of work. Everyone who has ever taken Ec-1 at Harvard or any other school in this country understands that theory. You can get inflation down if you throw enough men and women out of work.

In your testimony you note the difference in experience between Europe and the United States, and why they have been less successful in combating inflation. You argue, as I understand it that high wages are the problem. You referred to that issue again in your answer to Senator Hatch in terms of the subminimum.

So, what you are saying is in order to meet our Nation's economic challenges, you first have got to put people out of work. And

then you are saying in order to do the rest of the job, you must take those workers and lower their standard of living.

The message that you are sending out from this committee here this morning is "Look, Americans, you are going to have a lower standard of living."

Dr. FELDSTEIN. I am afraid that is not what I said, Senator; I said the opposite.

Senator KENNEDY. Well, you talk about the difference in the wages on page 12 of your testimony.

Dr. FELDSTEIN. What I did say was the following: First, we are not talking about putting people out of work, but about bringing people back to work. We are talking about 5 million, I think was the number I used—5 million more people will be working.

Senator KENNEDY. How many heads of households now survive on the minimum wage?

Dr. FELDSTEIN. I do not know that.

Senator KENNEDY. Do you not think that is important before you start talking about lowering the minimum wage? Would you be surprised to learn that 75 percent of the people that make the minimum wage today are heads of households?

Dr. FELDSTEIN. They are not affected by our proposal. The proposal is for young people, for the black teenagers that Senator Metz-enbaum was concerned about not being able to find jobs.

Senator KENNEDY. Well, if I can get back to the equity issue, What is your best answer to the unemployed men and women of this country who question how you can lower the taxes for the wealthiest individuals in this country, but cannot develop an employment program to meet important, unmet needs in our society?

Dr. FELDSTEIN. I wonder what you are talking about. We have an employment package that the administration is now discussing for the immediate, short term to do things in 1983, and a major employment package that the President described in the state of the Union message and promised he would be sending up to Congress in the near weeks which will deal with the structural problems of unemployment for young people, dislocated workers, and the long-term unemployed. I cannot imagine what the problem is.

Senator KENNEDY. How many millions of Americans are unemployed?

Dr. FELDSTEIN. There are about 11 million.

Senator KENNEDY. And how many jobs are in this major program that the administration is coming up with?

Dr. FELDSTEIN. The major way to get people back—

Senator KENNEDY. Just answer how many.

Dr. FELDSTEIN. I do not know.

Senator KENNEDY. You do not know how many?

Dr. FELDSTEIN. I know the major program of the administration—

Senator KENNEDY. Is it about 300,000? I would give you 300,000 and think that that is pretty reasonable.

Dr. FELDSTEIN. Since our time is limited, let me say 15 million and explain it. We are going to have 15 million more people back to work over the next 5 years by our program; that program is called an economic recovery.

Senator KENNEDY. We are meeting today on the jobs program. You said you have a major jobs program of 300,000.

Dr. FELDSTEIN. I said the only jobs program that really works is an economic recovery.

Senator KENNEDY. Thank you.

Senator QUAYLE. The Senator's time has expired.

Senator HAWKINS?

Senator HAWKINS. I welcome you here today.

Dr. FELDSTEIN. Thank you, Senator.

Senator HAWKINS. The way everybody has welcomed you here, I doubt that you believe it. [Laughter.]

We were really proud of the subcommittee's work last year. Senator Quayle set a hard pace for us; we caught up with him and helped him out, along with Senator Kennedy. The Jobs Training Partnership Act was truly a bipartisan effort.

One of the criticisms I have is how long it takes from the time we sign an act into law until that act is effective. We make a great statement; we go to the White House and plead with the White House to please come onboard because we may have to pass it without them. We finally get the White House onboard. We all work together, pass the bill, and it was hailed widely as the President's Jobs Training Partnership Act. We told him at the beginning that he would learn to love it, and we think he really did, you know, by October and November.

So, why in the world are we cutting funding for JTPA rather than fully funding the portion that we felt was wonderful, which was if you had a PIC that really performed in your community, we would give you a bonus? It is my understanding that in your proposal, that is left out. Is that accurate?

Dr. FELDSTEIN. Frankly, I do not know what the feature is that you are describing. My understanding is that we have about \$1.9 billion for the title dealing with disadvantaged workers and young people, and we are now proposing \$240 million for title III.

Senator HAWKINS. It is my understanding that the administration's budget recommendation for this program in 1984 was reduced by almost \$300 million for the State grant portion of the Jobs Training Partnership Act.

Dr. FELDSTEIN. I will have to check on that; I do not know.

Senator HAWKINS. Is that accurate?

Senator QUAYLE. Yes; you are correct.

Dr. FELDSTEIN. Reduced from what?

Senator HAWKINS. It was reduced by \$300 million for the State grant portion.

Dr. FELDSTEIN. Excuse me, Senator; 1983 is the first year, and that is just the startup year. So, obviously, 1984 is a big increase relative to 1983.

Senator HAWKINS. Why does it take so long to start up?

Dr. FELDSTEIN. I do not know.

Senator HAWKINS. I mean, you are new here; I am new here. Could you give me any ideas on how we could—

Dr. FELDSTEIN. I think it is a major, major change in the way we are dealing with unemployment. I think it is a first-rate approach; I think it is the right thing to do. I can believe it takes a long time

to get all these PIC's in place and design the programs and write the regulations.

Senator HAWKINS. No, no; had we redone the entire program, maybe. But we took the PIC's that were in place and only changed their makeup. We simplified it; we took out so many obstacles that it would really flow smoothly. Then we come back and talk about a new jobs bill when we have one out there that is taking an awful long time to, I feel, get into place.

Dr. FELDSTEIN. I have discovered in the few months that I have been in Washington that everything takes an inordinately long time to take place.

Senator HAWKINS. That is why people are so disappointed in the streets. They see the news that we have got a new Jobs Training Partnership Act, and they go apply for it and they find out that the Department of Labor is still writing regulations. Is that right?

Dr. FELDSTEIN. That is my understanding. I do not know why it takes so long.

Senator HAWKINS. We passed it last year and the regulations will be done next year.

Dr. FELDSTEIN. And I understand that in the tax area, it takes even longer.

Senator HAWKINS. Well, I think one of the main criticisms of any job-creation bill is that the situations that they are designed to correct are over by the time the program gets into place.

Dr. FELDSTEIN. No; I do not think that is true about this program. I think it really is aimed at some fundamental, structural problems which will persist. I think what you said is certainly a valid argument against any attempt at countercyclical jobs programs. But I think here we are talking about a permanent problem of low-skilled people that will, alas, be with us and that this program can help to alleviate.

Senator HAWKINS. Well, since the Jobs Training Partnership Act has already passed and you are working on it, would it not be more feasible to fund it at greater levels rather than come up with a new program on the side and cut the one we passed last year?

Dr. FELDSTEIN. I think the programs do deal with different things, and I think the \$240 million was not provided for before. That is an increased funding; indeed, the only funding. There was no funding before for title III of the Jobs Training Partnership Act. I think it is a step in the right direction. It remains to be seen how effective it will be, but I think it does show the administration's commitment to that activity.

Senator HAWKINS. Do you know when the effects of the job creation infrastructure programs that are going to be funded by nickel-a-gallon tax increase are going to take effect?

Dr. FELDSTEIN. My understanding is that some of them are already underway; that even though the money has not started flowing out from Washington, it is known now that those activities are going to occur. In the private sector, those who are going to be ultimately participating in it have already begun to increase their activities.

Senator HAWKINS. All right. I have a report that shows that it may be 2 years before we get all that in place. Could you write back to me and let me know?

Dr. FELDSTEIN. I certainly can. I can believe that it will be a long time, based on past experience, before the program gets up to full speed. But I think that we will, in the interim, see increases in activities.

Senator HAWKINS. One of the good things about the Jobs Training Partnership Act is that it will retrain the dislocated worker who may not go back to the tool and die job that Senator Hatch talked about.

I happen to have visited a tool and die plant in Japan that had no people in it; it was completely robotized. It worked 24 hours a day and it is far beyond anything we have in the United States. I mean, we have just been outdistanced by the Japanese.

Now, when we talk about retraining, I do not want to retrain people to go back to an industry that may not need them anymore. So, the great part, I thought, about the Jobs Training Partnership Act was, businessmen would say, "We are in the computer business. The computer business is going to grow to a \$100 billion business in this country, and therefore we can train these people with the basic skills so that they can fit into a niche. If it takes 2 years to get on line, 2 years from now when you graduate from this program, you can go to this program."

Dr. FELDSTEIN. I think that is right.

Senator HAWKINS. That is why I think it is so important that we fund it up front and get it started quickly, and the glitches that you may find down the way while you are writing regulations could be rewritten. Do you agree?

Dr. FELDSTEIN. I agree that we ought to move as speedily as we can. My understanding is that it really is just a technical problem of getting regulations in place because we are, after all, spending public money here and it has to be done within all the usual regulatory framework, alas.

Senator HAWKINS. Thank you, Mr. Feldstein.

Senator QUAYLE. The Senator's time has expired.

Senator Nickles?

Senator NICKLES. Thank you, Senator Quayle. Dr. Feldstein, we welcome you. I have been interested, somewhat enjoyed, and a little disappointed in some of the things you had to say, but also pleased with other things you have said.

To somewhat come to your defense, what do you think to be the No. 1 reason why we have record high unemployment today? Why the increase in the last 2 years?

Dr. FELDSTEIN. I think we are seeing the aftermath of the inflation that was virtually careening out of control by 1980.

Senator NICKLES. Inflation? I usually attribute it more to interest rates, thinking that most of the industries that are having high rates of unemployment—steel, auto, housing, construction, energy, agriculture—all those industries that are really dependent on borrowed money have had substantial increases in unemployment. Would you agree with that?

Dr. FELDSTEIN. That is certainly true.

Senator NICKLES. What were interest rates 2 years ago?

Dr. FELDSTEIN. Well, I think the prime interest rate was more than 20 percent, and other short-term rates were also very much higher than they are now, nearly double what they are today.

Senator NICKLES. Most small businesses end up paying prime, plus 2. I think that is the common formula most small businessmen, including myself and others, have been involved in. So, throughout 1981 and even a good part of 1982, they were actually paying 20 plus percent for money.

Most small businessmen determined that they could not make a rate of return on that, and if they already found themselves extended and they had to, say, roll over a 12-percent loan and found themselves rolling it over into a 20-some-percent loan, in many cases it was not economical and in many cases it forced them into bankruptcy or something else.

Dr. FELDSTEIN. That is correct.

Senator NICKLES. I think that everyone is concerned; no one likes unemployment. But I think it is important to get back to the causes of unemployment if we are going to move towards a solution. As I see some of the proposals, including the ones I hear rumored or that we read about in the paper, are steps in the wrong direction toward solving the unemployment problem.

I do not see how we can afford \$4 billion or \$7 billion. All I see that you are going to do is increase the deficits. I would quote your statement: "Increases in Government outlays aimed at increasing employment may be counterproductive." I think that is quite clear.

We have really a Keynesian philosophy, which you have denounced and which I agree with you on. But, yet, I see us turning around and trying to prime the pump a little bit further, and I think the well is dry.

Dr. FELDSTEIN. Let me be very clear about the reason that I think we do not have any disagreement. I think that an add-on to the deficit would be a mistake. I think, on the other hand, simply moving activities that we are already committed to do from future years to the current year need not have any adverse effects and need not increase the total deficit.

That is why I emphasized that it is very important that we be clear, if the package goes forward at this point of short-term additional spending activities in this area, that it is a rescheduling, a shifting forward in time, rather than any net increase in total spending.

Senator NICKLES. I appreciate your saying that and I would appreciate it if Congress would follow that direction. But I, like Senator Quayle, doubt very much that that would be the case. There are multibillions of dollars of projects and proposals that have been authorized and that have not been appropriated.

Each individual Congressman or Senator is trying to accelerate their proposal and make sure it gets on the front burner, and if you accelerate a lot of programs, you are going to see just as many, if not more programs right behind the burner. I would guess that with this acceleration, you are not going to see outlays reduced in 1984 or 1985 or 1986, because you are going to have an unemployment problem in 1984 and 1985 and 1986, also.

There is going to be the same cry and the same people coming out and saying we still have too many people unemployed, if the rate is 9 percent or if it is 8 percent; that is still too many people unemployed. Other people will be making the same argument: let

us go out and spend \$7 billion. Well, if \$7 billion was all we did last year, let us expand that.

I did a rough calculation. If you wanted to touch the number of unemployed, you would have to spend well over \$100 billion a year at the rates that we are talking about to eliminate or eradicate unemployment, and the net result would be just the opposite.

Dr. FELDSTEIN. I could not agree with you more. You cannot try to buy your way out of the unemployment problem. As I said to Senator Kennedy, the only jobs program that can really deal with our current unemployment is an economic recovery, and adding to the cumulative deficits can be counterproductive and make that recovery longer in coming and weaker when it does come.

Senator NICKLES. I hope that you will continue to reemphasize that to the administration because I think everyone—Senator Kennedy, myself and everyone—is interested in economic recovery. It is just my belief that if this proposal goes through, and it looks as if the momentum is behind it, you will see an increase and add-on to the deficits and the net result will be counterproductive to the very recovery that we all so earnestly desire.

I want you to know that there are a lot of us out here, and I do not know how many have been speaking to the administration lately. I think many people would agree with me that we cannot spend ourselves out of this recession. The reason why the price of the dollar is so high is because of the deficits we are looking at.

They have been large, not only this year. In the first 3 months of this year, we had a deficit of over \$70 billion; in the first 3 months of this fiscal year, we had a deficit at \$70 billion. To come along and say, yes, we are going to accelerate and expand so we can have more money transferred from the private sector to the public sector, I think could be very counterproductive to our problem.

Let me make a couple of comments that might be helpful on a positive note, not on a critical note. We have greatly expanded the Federal Government's involvement in unemployment compensation, either through extended benefits, supplemental benefits, et cetera, most of which would apply under State rules and laws.

I know most States have requirements on unemployment that if a person is unemployed, if they are laid off due to whatever reason beyond their control, they can apply for unemployment compensation benefits, in many cases for well up to a year now.

Many States have a requirement or say that an individual need not take a job if it is less than the skill or classification that they have previously worked in. I might suggest to you that one of the areas where we find a high degree of unemployment is where American workers have priced themselves out of the marketplace.

I do not see any recovery coming in steel, autos, or tires; and some of these because our labor rates are \$22 an hour total comp, compared to Japan's \$11. To indicate to those individuals that they can continue to draw unemployment comp and yet turn down a job that may pay, say, \$8 an hour or \$6 an hour—I think that needs to be looked into.

That has been primarily a State jurisdiction, and it should be. But now that we see the States providing 26 weeks and the Federal Government providing the additional 26 weeks, in most cases, I think the Federal Government could have some clue in saying, yes,

if a person is going to draw unemployment benefits for these extended benefits, at least, then they would have to take whatever job would be available and not one that would pay on comparable levels. Would you agree with something like that?

Dr. FELDSTEIN. Well, I think that is an idea that is definitely worth thinking about.

Senator NICKLES. Let me make a couple of other suggestions. One of the suggestions that was in the proposal was increasing or possibly expanding the targeted jobs tax credits. Being an employer, I receive that tax credit, but it has never induced me to hire any one individual.

I would well bet that since most new jobs are created by small businesses, most small businessmen would take that and they might receive a reduction in their taxes, but it would do very little to decrease unemployment. That is kind of something that you would turn over to your accountant and he says, "Oh, yes, you came out at the end of the year."

Most people will hire somebody because it is in their economic benefit to do that. They have a job to do; they need to produce a product, not because the Federal Government is going to give them a 50-percent tax credit if they hired somebody who happened to be "structurally unemployed."

Dr. FELDSTEIN. Well, there is no question that some of the hiring would have happened anyway. We do believe that the targeted jobs tax credit does induce additional hiring and that the special program that will now be available for young people in the summer, in which employers can get 85 percent of their wage as a tax credit, will be very attractive indeed.

Senator NICKLES. I question how attractive it will be, and I also question the economic value of it because if people are making that decision strictly because they will get a tax credit, it is not an economic decision; it is a tax consideration and may not add that much to GNP, et cetera.

One other comment which is on the minimum wage proposal that you have submitted. I think it is certainly a move in the right direction. Not only that, but I do not see it as taking a job away from somebody who happens to be receiving unemployment. You will be creating jobs with that proposal.

There are many jobs that have been priced out of the marketplace because of the minimum wage. In most towns and cities, you do not see people sacking groceries anymore, or pumping gas. Why? Maybe they cannot afford it. A lot of these types of jobs have actually been priced out of the marketplace, and those are entry-level jobs to help somebody get started.

Dr. FELDSTEIN. Those, of course, are just the kinds of jobs that get priced back into the marketplace by the targeted jobs tax credit provision for young people.

Senator NICKLES. I would think you would have more success, by exempting teenagers, or a reduction in minimum wage for entry-level jobs; they will be jobs that most heads of households would never take or could not afford to take. It would not be enough to put groceries on the table. But they would help a youngster who is 16 years old, who has never had a job and who wants to put gas in the car. He can get a job for \$2.50 where he could not get one for

\$3.35; get him off the streets, and also teach him some good work habits.

Dr. FELDSTEIN. That is exactly the philosophy behind our \$2.50 an hour, 75 percent proposal for summer minimum wage reduction.

Senator NICKLES. The next point I think is important to make is that you are talking about creation of new jobs and not a supplement, as some have possibly indicated.

Thank you, Mr. Chairman.

Senator QUAYLE. The Senator's time has expired.

Thank you, Dr. Feldstein. I would say in conclusion that it appears we are on a dual track here. We have got a short-term, emergency situation, and I would just urge that we give strong consideration to a different mix of job creation than what you are going to put into the emergency supplemental.

If you just concentrate on public works-type proposals, then I think when you send up the Employment Opportunities Act and we get into the long-term structural viewpoint—that is going to be a vehicle for public service employment.

I do not believe the administration is going to accept two emergency jobs proposals. I just hope and caution that as we go through this, you look at that mix. If we are going to be talking about jobs creation and a short-term solution, believe me, at least from past experience and precedent, the public works aspect takes a long time to start up. Those are high skilled, highly paid jobs.

If we want to look at the minorities, women, the last hired first fired, on a short-term basis, I think you will find a better solution will be in the public service employment. I just urge that in the negotiations that you consider that. Otherwise, in the second phase, which I think is more fundamentally important to the long-term recovery in training and retraining, could become a vehicle for a lot of unacceptable propositions to the administration.

I know that you are late for the Budget Committee. We have forewarned them, so I will not incur the wrath of Chairman Domenici, and neither will you. Thank you very much.

Dr. FELDSTEIN. Thank you very much, Senator.

[The following material was subsequently submitted for the record:]

COUNCIL OF ECONOMIC ADVISERS,
Washington, D.C., March 9, 1983.

Hon. ORRIN HATCH,
U.S. Senate,
Washington, D.C.

DEAR SENATOR HATCH: In my hearing of February 17 I promised to provide an estimate of the employment opportunities to be created by the youth opportunity wage provision in the Employment Act of 1983.

The official Administration estimate is 500,000. It is important to point out, however, that this number should not be taken as an exact figure. When reasonable changes in the underlying economic assumptions are considered, we are led to conclude that the employment opportunities created will lie in the range of 150,000 to 650,000 additional jobs. One reason for this range of outcomes is the uncertainty concerning what the states will do with their individual minimum wage laws.

Please let me know if you have additional questions.

Sincerely,

MARTIN S. FELDSTEIN,
Chairman.

COUNCIL OF ECONOMIC ADVISERS,
Washington, D.C., March 9, 1983.

HON. PAULA HAWKINS,
*U.S. Senate,
Washington, D.C.*

DEAR SENATOR HAWKINS: In my hearing of February 17, before the Senate Subcommittee on Employment and Productivity, I promised you answers to two questions.

The first question concerned funding for the Job Training and Partnership Act (JTPA). In fiscal year 1983, \$2.180 billion is being paid to prime sponsors. General training grants paid directly to the states under JTPA during fiscal year 1984 are to be \$1.886 billion. The difference is the \$300 million reduction in funding you mentioned in the hearing. The Administration made this reduction in funding in order to put additional money into the dislocated worker title. The \$300 million reduction you mentioned went for increased support for dislocated workers.

You also had a question concerning the job creation effects of the gas tax. Although obligations of the highway trust fund have already increased in January and February as a result of the Surface Transportation Act, the main effects should occur in the program's second year. The Administration estimates that only 10 to 15 percent of increased spending will occur in fiscal year 1983, while 60 percent will take place in fiscal year 1984. Thus, the main employment effects of the Act should be in fiscal year 1984.

Please let me know if you have additional questions.

Sincerely,

MARTIN S. FELDSTEIN,
Chairman.

Senator QUAYLE. Next week, we will begin legislative hearings on the proposals on the job bills. The committee is adjourned.

[Whereupon, at 10:10 a.m., the subcommittee was adjourned.]

EMPLOYMENT OPPORTUNITIES ACT OF 1983

TUESDAY, FEBRUARY 22, 1983

U.S. SENATE,
SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY,
COMMITTEE ON LABOR AND HUMAN RESOURCES,
Washington, D.C.

The subcommittee met, pursuant to notice, at 9:30 a.m., in room SD-430, Dirksen Senate Office Building, Senator Dan Quayle (chairman of the subcommittee) presiding.

Present: Senators Quayle, Kennedy, Dodd, and Pell.

Senator QUAYLE. The committee will come to order.

This is the second of 3 days of hearings on S. 242, the Employment Opportunities Act, and related jobs bills pending before the subcommittee. On February 17, we heard the administration's views from Martin Feldstein, Chairman of the Council of Economic Advisers. Today and tomorrow, we will hear from a wide variety of witnesses representing State and local government, the business community, labor, vocational education, and others who are directly interested in the legislation pending before us. In addition, last month, on January 12, we held an exploratory hearing on Federal job creation programs, and this series of legislative hearings builds on those findings.

I certainly recognize the importance of jobs and job creation. There may be a difference in what the mix and the composition is, but everybody is certainly in favor of developing jobs legislation, and we will have 2 days of legislative hearings and then consult with other members of this subcommittee on when to proceed with markup.

At this time, it is a great honor to bring to the public's attention that this is the day after George Washington's Birthday, which also happens to be the birthday of another very fine figure, not yet President, perhaps because he is too young. This is Senator Kennedy's birthday, and I know that he is over 30, but perhaps not quite yet 35. In a few years, he may announce for the Presidency.

So, I would like to light two little candles, if I can, one for the Republicans and one for the Democrats—

Senator KENNEDY. Which one is burning brighter, Mr. Chairman? [Laughter.]

Senator QUAYLE [continuing]. In the spirit of bipartisanship that we have thus far shown at least on this subcommittee, Senator, we certainly wish you a happy birthday.

Senator KENNEDY. Thank you very, very much. Shall I blow them out now?

Senator QUAYLE. You might need a little help from Senator Dodd.

Senator KENNEDY. Thank you very much. I am cutting the cake now and making one wish. [Laughter.]

I hope my jobs bill passes, with your support, or our jobs bill.

Senator QUAYLE. Does anybody have an opening statement?

Senator KENNEDY. No.

Senator QUAYLE. Senator Dodd?

Senator DODD. No.

Senator QUAYLE. Our first witness is Dr. Gene Bottoms, from the American Vocational Association. Welcome back, Dr. Bottoms, and thank you for your help with the Job Training Partnership Act. We look forward to your testimony. You may proceed.

STATEMENT OF GENE BOTTOMS, EXECUTIVE DIRECTOR, AMERICAN VOCATIONAL ASSOCIATION, ON BEHALF OF THE AMERICAN ASSOCIATION OF COMMUNITY AND JUNIOR COLLEGES

Dr. BOTTOMS. Thank you, Mr. Chairman, and members of the subcommittee. I am Gene Bottoms, the executive director of the American Vocational Association. I have been asked by the American Association of Community and Junior Colleges to allow my testimony to represent their views as well as those of the American Vocational Association. I appreciate very much the opportunity to appear before the subcommittee.

We are concerned about the problems facing those who are unemployed and those who are threatened with unemployment. We hope to work with you and others on the committee to focus the capacity of the Nation's diffused and decentralized programs of vocational education on the training and retraining of the currently unemployed and those who may soon be if they do not receive upgraded training.

You are to be commended, Mr. Chairman, for your leadership in introducing the Employment Opportunities Act of 1983, S. 242, and I would like to comment on certain provisions of the bill.

We support the idea that initiatives are needed to create useful jobs for the unemployed. Second, we support your proposal to appropriate \$100 million to title III of the Job Training Partnership Act for 1983, but we believe that a greater amount is needed.

Third, we support your provision that no person participating in training or education shall be disqualified from federally funded unemployment compensation unless the State agency determines that such education or training will not improve the individual's employment potential. However, we feel that this provision does not go far enough to encourage States to initiate similar provisions much earlier.

We agree with the intent of authorizing \$5 million to the U.S. Employment Service to provide assessment and counseling to the long-term unemployed. However, we suspect that with the severe cutbacks in the Employment Service, this may not be an adequate amount, given the workload that exists there.

We support your proposal for changing the eligibility for the Pell grants, and certainly support the voucher options for employment and/or training as you have proposed them.

The Employment Opportunities Act of 1983 contains a number of good points, but we believe the problem is of such magnitude that intensive training efforts on a long-term basis are going to be essential to get at our unemployment problem. We do not believe the amount sought is adequate for addressing this long-term training and retraining need.

The AVA and AACJC feel that the Nation has been underinvesting in raising the technical competency of the workforce for far too long and that Federal initiatives must be undertaken immediately to develop a concerted, long-range program to address these issues.

The imbalance between people and the requirements of jobs will grow as the economy recovers due to the application of advanced technology. Thus, unemployment is likely to persist at a high level throughout most of this decade. The evidence seems quite clear that we have a shortage of advanced-level skilled workers and we have never developed a means for producing them in this Nation. National initiatives have not been sufficiently focused on providing leadership and assistance to the States for addressing those dimensions of our unemployment and reskilling problems.

We believe that a strategy which encourages States to utilize more effectively their existing institutional capacity of the unemployment service, their vocational education programs in all institutional settings, and the economic development agencies in cooperation with the private sector, can be a cost-effective means.

For these reasons, we would believe it to be wise to expand S. 242 to encourage States to build training and retraining programs that are based on their existing capacity. I want to support this contention with information we recently gathered from a survey of some 16 States. The testimony contains an outline of some of the initiatives that some States already have underway through their existing programs.

In summary, we found that most States of the 16 had some form of employer-specific training programs where companies were expanding, preparing unemployed for specific jobs in those companies, at an average cost of about \$800 an individual. Many States have made arrangements to mainstream unemployed into existing, available training slots; the average cost here runs about \$1,000 a year for individuals.

A number of States have made it possible to add second shifts to utilize the vocational laboratories for their growing demands for individuals to shift-basis employment. A number of States have mounted new programs, particularly in emerging and high technology, to prepare some of the unemployed for employment in these fields.

In most States, we found a close working relationship already existing between the economic development agency, the employment service, the State board of vocational education, and the use of community colleges and vocational and technical schools.

Therefore, we would like to recommend for your consideration a Federal initiative that would encourage the States to utilize the capacity they have to address, in part, this unemployment problem of retraining.

We recommend that, through appropriate legislation, the Secretaries of Labor and Education be authorized jointly to establish a

grant program to State governments to finance job training programs for unemployed adults who are or will be in need of such training.

To be eligible, we would propose that program participants remain eligible to collect unemployment insurance benefits while in training, including during the phase of the State program, the first 26 weeks.

Third, we would urge that program participants who have exhausted their unemployment benefits, or would exhaust their benefits prior to completing training, be eligible to receive a Federal stipend for the duration of training, the combination of unemployment benefits and stipend not to exceed 52 weeks.

Further, we recommend that for States to be eligible for a grant under this authorization, they would develop a plan demonstrating that, through existing agencies, they could carry this out; that they would have a plan to begin to focus on the hard to reemploy 10 to 15 weeks after unemployment, to begin to encourage them to move into training programs where there may be new jobs. Third, that the State has devised a variety of special training programs linked to the private sector to get at this particular need, and they have established a mechanism for involving existing agencies in working together in this regard.

We believe that adding these initiatives to S. 242 would, in fact, form a partnership relationship between the National Government and the States to begin, on a long-term basis, to direct their existing capacity to what will be a long-term problem for this country.

We think it encourages the continuation of a group of State agencies to continue to work together, as they are now doing in many States, and it begins to encourage the States to explore ways much earlier to assist the unemployed to move them more quickly into retraining efforts if it is quite clear that those jobs are not going to return.

We believe that in a small way, what we propose can help in the long run to pull together the capacity that exists across this Nation to begin to focus on the long-term unemployment and retraining needs that we have. We look forward to working with you and the committee as you pursue a resolution to this problem. Thank you.

[The prepared statement of Dr. Bottoms follows:]

STATEMENT OF THE AMERICAN VOCATIONAL ASSOCIATION AND THE AMERICAN ASSOCIATION OF COMMUNITY AND JUNIOR COLLEGES, PRESENTED BY DR. GENE BOTTOMS, EXECUTIVE DIRECTOR, AMERICAN VOCATIONAL ASSOCIATION

Mr. Chairman and members of the Subcommittee, I am Gene Bottoms, Executive Director of the American Vocational Association. AVA is the professional organization representing those educators concerned with preparing America's youth and adults for productive and satisfying jobs. I have been asked by the American Association of Community and Junior Colleges to allow my testimony to represent their views as well. I appreciate the opportunity to appear before this Subcommittee.

We are very concerned about the problems facing those who are already unemployed and those who are threatened with unemployment. We hope to work with you to focus the capacity of the nation's diffused and decentralized vocational education programs on the training and retraining of the currently unemployed and those who may soon be if they do not receive this instruction.

Mr. Chairman, you are to be commended for your vision and leadership in introducing the Employment Opportunities Act of 1983, S-242. I would like to comment on specific aspects of the bill.

First, we support the idea that initiatives are needed to create useful jobs for the unemployed.

Second, we support your proposal to appropriate \$100 million to Title III of the Job Training Partnership Act for 1983, but we believe that a greater amount is needed.

Third, we support your provision that no person participating in training or education shall be disqualified from federally-funded unemployment compensation, unless the state agency determines that such education or training will not improve the individual's employment potential. However, we feel this provision does not go far enough to encourage states to initiate similar provisions much earlier.

Fourth, we agree with the intent of authorizing \$5 million to the United States Employment Service to provide assessment and counseling to the long-term unemployed; however, we suspect that, with the several cutbacks in the employment service, this will not be an adequate amount. We feel that intensive assessment of the unemployed, provision of information about available jobs, and information about related training opportunities would result in benefits to both the long-term unemployed and the nation. Through these services, people could be helped to recognize when there was little hope for return to their previous positions and encouraged to formulate new job goals and pursue the necessary preparation.

Fifth, we support your proposal for changing the eligibility for Pell grants.

Sixth, we support the voucher options for employment and/or training as you have proposed them.

The Employment Opportunities Act of 1983 contains a number of outstanding points, but we believe the problem is of such magnitude that intensive training efforts on a long-term basis are going to be essential to get at our unemployment problem. We do not believe the amount being sought is adequate for addressing the training and retraining needs that will exist in this nation for several years to come. This new legislation is a commendable and much needed effort but, while it expands assistance to the structurally unemployed, more will be required if they are to have skills that match the requirements of the workplace.

THE NEED FOR INVESTING IN LONG-TERM SOLUTIONS

AVA and AACJC feel that the nation has been under investing in raising the technical competency of its workforce far too long and that federal initiatives must be undertaken immediately to develop a concerted, long-range program to address the issue. The need for this effort is evident on many fronts and the gravity of the situation is alarming.

Unemployment is at levels not reached since the days of the Depression. It is commonly acknowledged that upswings in the economy will not completely solve the problem. The Congressional Budget Office contends that fully a quarter of the workers who are currently unemployed will never again work in the areas for which they were prepared because these jobs have disappeared. Others estimate that at least half or more of current unemployment is structural and not cyclical.

The portion of skilled workers in the U.S. labor force has fallen from 29 to 26 percent and the nation has fallen from second place in the world to seventh in the percentage of the workforce that is skilled.

U.S. productivity growth has lagged behind foreign competition for more than a decade. Harvard economist, James Medoff, calculates that as much as 60 percent of the drop in productivity growth may be due to a "Labor Market Imbalance"—a misfit of people to jobs.

A recent Gallup survey of 1200 metal precision industries revealed that their biggest concern as they anticipated an upturn in the economy was to find journey-level workers. They saw no difficulty in obtaining entry-level workers to serve as trainees; however, they felt they needed advanced-level workers to enhance their competitive edge.

An article in *The Futurist* predicted that, by 1990, there would be need for more than 8 million highly specialized technicians. Existing technical programs can only prepare about one tenth of that number.

Technology is changing the ways that many jobs are performed, thus altering the knowledge and skills required of most of those who fill them. Automation and computers will eventually affect almost 7 million jobs in factories and 38 million jobs in offices. A new level of technical literacy will be required of these workers.

Worker displacement totaling between 20 to 30 million is predicted as a result of increased use of robotic equipment and computers—and, the loss of jobs caused by foreign competition.

Although people in the most productive age group, 25-44, will comprise more than half of the American workforce by 1990, we have no adequate means of providing the level of retraining that will be required to enable these workers to keep their skills current.

Today, a lengthy period of unemployment is wasted time. If the unemployed return to work, they do so no better prepared than they were when they left. In 1972, federal legislation was changed so states could allow persons drawing unemployment insurance to participate in a training program to improve their job skills. However, states have not adopted this provision. This practice is continued even when the most costly part of training—subsistence—is covered by unemployment insurance. We appreciate your attention to this matter in S-242, but do not feel that the new provision will solve the problem.

At this time, there is no place for structurally unemployed workers to turn for advice and reliable information about programs to prepare for available jobs. Cutbacks in the employment service have greatly limited its capacity to do the job.

In summary, we see a great need for a competent, highly skilled workforce prepared in the new technologies of the workplace. Some look to the private sector to do the training that will be required. However, evidence reveals that it is not now nor will it be likely to do so in the future. Medoff states that only 4.5 percent of employees over 17 years old receive organized-sponsored employer training annually and this has held constant since 1969. In addition, the average length of training was only 10 hours per employee.

Contributing to the inability of the private sector to respond to the magnitude of the training need is the fact that many persons work for small employers who lack the means to mount extensive training programs. Furthermore, few incentives currently exist for joint private-public programs to provide instruction.

On the other hand, the unemployment period itself is usually lost time. State policies often discourage or do not allow the use of this time to acquire or improve the very skills needed to become a productive worker again.

Present programs and policies make a bad situation likely to get worse. The imbalance between people and the requirements of jobs will grow as the economy recovers due to the application of advanced technology. Thus, unemployment is likely to persist at a high level throughout most of this decade.

The evidence seems quite clear that we have a shortage of advanced-level skilled workers and we have never developed a means for producing them. National initiatives have not been sufficiently focused on providing leadership and assistance to the states for addressing these dimensions of our unemployment and reskilling problems.

We believe that a strategy which encourages states to utilize more effectively their existing institutional capacity of the unemployment service, their vocational education programs, and the economic development agencies in cooperation with the private sector is the most effective and cost-efficient plan to employ. These joint efforts would make it possible to retrain individuals before they became unemployed and to initiate training immediately for those unemployed who are least likely to be re-employed. This training would be focused on preparing them to meet current or near-future needs of the employment marketplace. For these reasons, we believe that it would be wise to expand S-242 to encourage states to build training and re-training programs that are based on their existing capacity.

EXISTING POTENTIAL FOR EXPANDED SERVICE TO THE UNEMPLOYED

Before suggesting policies you might consider for addressing the problems of unemployment, I would like to present evidence that there is a state structure already in place that could be greatly expanded with federal assistance. Use of existing institutional facilities and systems would be much more effective and cost efficient than launching a separate new federal initiative.

I want to support this contention with the information we recently gathered from a survey of 16 states. The survey revealed that initiatives were already underway which involved the education community, the employment service, the economic development agencies of the state and private employers. States varied in the strategies they employed to utilize their vocational education program capacity in conjunction with the other programs and agencies. In each instance, we found the use of state funds combined with some federal funds; in all instances, the amount of money being expended was extremely limited and demand for further training exceeded the amount of resources available.

It is not surprising that public vocational programs were shown to play such a pivotal role in the states' approaches for addressing their unemployment problems.

These programs provide a structure that has been proven effective and cost-efficient throughout America's industrial era and potentially able to serve a similar role in the new technological age. Programs are in place in more than 7,500 institutions across the nation. Comprehensive high schools number 4,878, area vocational high school centers 1,500, postsecondary non-degree granting area vocational technical schools 811, community and technical colleges 1,118. These institutions have been built and maintained through a local, state, and federal partnership investment.

A program in Illinois illustrates a typical design for retraining the unemployed that was found in several of the 16 states. In the Illinois program, postsecondary institutions are given financial assistance for tuition cost to mainstream unemployed adult workers into the existing vocational programs most likely to lead to employment. The program is funded by a combination of federal and state funds and is currently limited to a small number of unemployed persons. For these workers, the services of mobile assessment centers are made available in order to evaluate the abilities of the unemployed workers and to recommend programs for education and training. Persons enrolled in training can continue to receive their unemployment compensation, but must drop out of training and take a job, if it is offered. Under this program, persons enrolled in training are not required to have guaranteed employment prior to training; however, an assessment is made of employment opportunities within a reasonable geographic area, and training is developed in those occupational areas offering the greatest opportunities for future employment.

In Indiana, a special pilot program has been approved by the State Board of Vocational and Technical Education to provide training for persons who are unemployed and want to go back into their own field of work. The training is designed to upgrade the participants' existing skills, building upon their previous work experience within the industry or business. The pilot program will be funded with \$200,000 of federal vocational education funds; grants will be made to any type of vocational or technical education center at the local level. Funding of such programs will cover 50 percent of the cost of instruction; the remainder of the cost will be covered by tuition charges. In an arrangement such as this, local vocational/technical schools are apt to serve these unemployed adults either by incorporating them into existing programs or by adding a second shift of programs in the late afternoon.

Several of the 16 states surveyed are providing training programs customized to a particular industry. These programs are designed specifically to upgrade the technical skills of people presently working in the industry so they can be retrained in employment. Training was provided to the Brown and Williamson Tobacco Company of Louisville, Kentucky to upgrade 300 of their workers to improve productivity and keep jobs within the community. The full cost of this training program was paid for with federal vocational education funds with training being provided by the vocational school in Louisville in ongoing classes and by direct training programs at the plant.

Some states set up special programs for retraining the unemployed in areas of high employment demand. In Massachusetts, for example, we found that training programs have been established for unemployed teachers, other government employees, and displaced homemakers. Training for unemployed teachers emphasizes, but is not limited to, technical writing and computer programming instruction. Other training programs made available to the target populations are heavily oriented toward the electronic industries, a major employer in Massachusetts. The training program is planned to enable the graduates to enter at approximately the second stage above entry level in the electronic industry.

Another broad focus of occupational training for the unemployed has been in the health occupations area, including training for such occupations as laboratory technicians, radiology technicians, and medical records clerk. These programs are presently funded totally by federal vocation education monies and the opportunities for training in such programs are limited by the shortage of funds. States reported that local funds, formerly available to assist with training, have been diminishing and the opportunity to serve thousands of unemployed individuals was lost this year alone because of lack of resources.

In Ohio, other special programs were initiated for retraining the unemployed. At the direction of the Governor, a pilot program was established in Northwestern Ohio to provide assessment, counseling, employment referral, and training services for unemployed local people. The project was established in that section of the state since eight of ten counties have unemployment in excess of 12.3 percent and three of the counties are above 16 percent.

The Bureau of Employment Services will coordinate the Northwestern Ohio project, with the cooperation of the State Department of Development and the Division of Vocational Education in the Department of Education. Vocational education

will be responsible for coordinating and implementing the assessment and training components. The Bureau of Employment Service will supervise the intake and certification of participants, counseling, and employment referral.

The funding for this project comes from Department of Development funds authorized for use in training the unemployed. A total of \$192,000 has been made available by the Department of Development for the pilot program effort.

In West Virginia, a close working relationship exists between the State Board of Vocational Education and the Employment Service. This results in unemployed persons being mainstreamed into existing secondary vocational programs when training stations are available. They are encouraged to select occupational programs that are the most likely to lead to future employment. The State Director of Vocational Education reports that a highly-successful effort has resulted from serving unemployed adults and secondary youth in the same program at the same time.

In Illinois, a high impact training service was organized to train 1,674 unemployed persons. This project was carried out in cooperation with 44 industries at a cost of \$824,000; \$300,000 of this money came from federal vocational education funds and \$520,000 from state funds.

In summary, our survey showed that most of the states have some form of employer-specific training program tailored to local employer needs and are, in fact, preparing unemployed persons for specific jobs in business and industry. All respondents indicated that such training linked to jobs would be expanded if resources were available. Several thousands more unemployed persons could be served each year through this program. The average training cost for each student in employer-specific programs is in the neighborhood of \$800.

Many states have made arrangements to mainstream unemployed persons into open slots in existing programs. We were surprised at the number of states that were using both secondary and postsecondary facilities for this purpose. The average training cost was roughly \$1,000 for each unemployed person per year in these integrated arrangements.

A number of states were establishing second shift programs in the late afternoon and evening to prepare unemployed individuals in occupational areas in which local employers felt there would be a future need. The average cost of this kind of program was about \$2,000 for each person each year, primarily because resources were needed to add a second shift instructor.

In several states, we found efforts to create new programs in the areas of emerging and high technology to prepare the unemployed for high growth occupations. The training costs for the first year was much higher in these programs because many institutions had to secure the instructional equipment needed for such training. However, investing now in the expanding technological areas is likely to have high pay-off later.

Efforts to upgrade existing employees in industry to increase their productivity and/or to help them acquire new skills as the company begins to utilize new technology was common in the states we surveyed. In a few instances, the cost of these programs was shared; however, in most of them, the funds came from state and federal vocational dollars.

In most states, we found a very close working relationship between the Economic Development Agency, the Employment Service, and the Board of Education at both the state and local levels. The private sector was usually actively involved in a participatory way.

RECOMMENDATIONS FOR FUTURE LEGISLATIVE PROVISIONS

Mr. Chairman, we believe these examples serve to illustrate that the existing vocational education program provides an excellent state structure through which increased funding could immediately expand training opportunities for the unemployed. In this way, a long-term strategy to deal with unemployment could be implemented without delay and without waste. We would like to propose a number of recommendations for policies and practices that would expand and improve the ability of vocational education to meet the needs of the unemployed—both now and in the future.

First, we recommend that, through appropriation legislation, the Secretaries of Labor and Education be authorized jointly to establish a grant program to help state governments finance job training programs for unemployed adults who are or will be in training.

Second, we propose that program participants remain eligible to collect unemployment insurance benefits while in training.

Third, we urge that program participants who have exhausted their unemployment benefits—or would exhaust their benefits prior to completing their training—be eligible to receive a federally-funded stipend for the duration of training.

Fourth, we recommend that, for states to be eligible for a grant under this authorization, they would develop a plan demonstrating that the state:

Would not create a new state agency or bureaucracy to administer this program;

Either has a program(s) or would design training programs to insure that hard-to-employ, dislocated workers were enrolled in job training programs at the earliest possible phase of the initial eligibility period of collecting unemployment compensation under the state's regular program.

Either is already directly supporting or will support the design and conduct at least two of the following strategies: (a) an employer job-specific training program for existing expanding industries; (b) special programs for the retraining of hard-to-employ dislocated workers in identified skill-shortage areas, and (c) services to help existing industries to improve the productive capacity of existing workers through a variety of training initiatives.

Has established or will establish collaborative mechanisms to develop and, where appropriate, to carry out the programs described above. Further, these collaborative mechanisms should be comprised of at least the following state and local parties: The Unemployment Insurance Agency; the Employment Service; the Vocational and Technical Education system; economic development authorities; and private sector representatives, including business and labor.

Fifth, we suggest that the Secretaries of Education and Labor be authorized to award grants to appropriate state agencies upon the receipt of a state plan demonstrating how the provisions mentioned previously would be met. The Secretary of Education would authorize grants to the appropriate state agencies for the implementation of training programs as specified above.

The Secretary of Labor would be authorized and directed to enter into agreement with the state employment insurance agency, within 60 days of such agency request for such an agreement, to administer the program providing stipends to eligible participants. The Labor Secretary would also award grant funds for administration expenses, including salaries, for the implementation of an approved plan as submitted by the state.

In addition, the Secretary of Labor would provide stipends—funds from general revenue—to participants of state-approved training programs, in the full amount participants would be eligible for under a state unemployment insurance benefits system. Such stipends would only be available for the period of time necessary to complete the training in which the individual is not covered by unemployment insurance benefits. It is not proposed that any participant receive a combination of benefits from a stipend and unemployment benefits at the same time. In no instance should the benefits from both sources together exceed 52 weeks.

Sixth, regarding appropriations and funding authorities, it is proposed that the grant package for training be assembled through authorizing a specific authorization level of additional funds for adult retraining under the Vocational Education Act—at least a \$250 million level. Another grant package needs to be assembled through appropriate legislation for providing U.S. Employment Services with the extra staff needed for the additional advisement and assistance the unemployed requires and for additional stipend support.

Mr. Chairman, we believe that what we propose expands upon S-242 and would address the nation's training and retraining needs on a long-term basis. It has the following advantages:

First, it builds upon efforts already underway in the states to utilize existing capacity and will greatly reduce administrative costs.

Second, it further encourages a group of agencies at the state level to continue to work together, as they have begun to do in the past. Through federal assistance, states are encouraged to tie together the few resources that they already have in terms of vocational education, economic development initiatives, the private sector, and the employment service and focus these combined assets toward training and retraining activities. This process has potential for evolving into the sound, long-term strategy necessary for responding to the nation's unemployment and retraining problems of the coming decade.

Third, it encourages states to begin to explore ways that they can sort out those who are unemployed and not likely to return to their previous jobs, or any other job without extensive retraining.

Fourth, it motivates states to systematically relate the training of the unemployed with expanding opportunities in growing industries within their boundaries.

In essence, we believe that, in a small way, what we propose can help address the national unemployment and retraining problem. It could reduce the length of time that we have to pay unemployment insurance and more quickly return the unemployed person to a productive role in society. Most important, it could enhance our nation's overall productivity and competitiveness by raising the skill endowment of America's workforce.

Senator QUAYLE. Thank you very much, Dr. Bottoms. I would like to talk a little bit about coordinating the State structure for training and retraining. What would be the Federal role in trying to consolidate at the local level?

Dr. BOTTOMS. I think, basically, it would be a partnership role in which the Federal Government would create a focus on this problem, providing grants to States if they, in turn, would begin to pull their resources together to address this problem on a long-term basis.

What you have, basically, is the funding strategy at the State level that funds the basic programs of in-school and out-of-school youth. You, in fact, have caps where many of the institutions cannot expand to a second shift of staff; you have long waiting lists in a lot of institutions in occupational areas where there are demands, like electronics and data processing. It is not unusual to find waiting lists for programs in demand.

I think this would cause the States to begin to refocus that it is in their own interest to begin to reexamine how those crucial programs can be brought together to address a retraining problem that is going to be with us for some time.

Senator QUAYLE. What would you think about consolidation at the Federal level? You and I have talked about this a little bit and you have heard some of the public statements I have made about combining the vocational education programs and responsibilities which are at the Department of Education with the training programs at the Department of Labor.

Do you think that as far as providing an incentive or a model for consolidation and cooperation, we ought to think about consolidating some of our training and vocational education programs at the Federal level?

Dr. BOTTOMS. I think, Senator, that we have a unique system in this country of trying to prepare people for work. We are one of the few countries in the world that seeks to prepare its work force through the general education system. There are some advantages to that; it does keep the system open-ended. It does not lock out youth; it allows for continuous crossover.

I think the Federal role has to continue to be to strengthen that aspect of American education, trying to prepare people for work. If you remove that aspect of education from the mainstream of education, my fears will be that you will begin to separate two kinds of education in this country in which the ease of movement back and forth will not be as possible as it is today, and I think we will foreclose an awful lot of options for people.

Senator QUAYLE. Do you think that there could be a consolidation?

I will never forget the time that Senator Stafford and I had joint hearings on this problem. We heard from the Assistant Secretary for Vocational Education in the Department of Education and the

Assistant Secretary for Employment and Training at the Department of Labor. They each presented a proposal. You could not tell the difference between them; their proposals are very, very compatible, which lends credence to the idea that perhaps there should be some consolidation.

That is the only thing I am asking. I am not asking you to say that we ought to extract vocational education from the Department of Education or the educational institutions—yet. But I would think that we might want to look at coordination between these two programs, and also I would include the employment security programs.

Dr. BOTTOMS. I think there are ways to improve the coordination and the fabric that connects the two programs together to maximize resources. I think there are some fruitful grounds of exploration there.

I think there will always be a need for a Federal program that addresses certain emergency national activities. It seems to me that if you trace back over the last 20 years, many of the programs run through the Department of Labor have addressed major emergency kinds of problems.

On the other hand, if you go back and trace the past 20 years of the voc ed program, as the Federal Government has assisted, it has been to try to build a permanent capacity out there. Without that capacity that the Federal Government has helped build over the past 20 years, you could not carry out the training provisions that are called for in the job-training partnership legislation now.

So, I do see that there are ways to improve the fabric that connects the programs together more effectively. Consolidation—we would have to talk a long time, Senator, before I could figure out how that could occur.

Senator QUAYLE. OK, we will continue to discuss this matter. One other question and then I will yield to my colleagues for questions. The jobs bills proposals before Congress, whether it is mine or others, look at both the short term and the long term. In the short term my bill and that of Senator Hatch accelerates labor-intensive programs for a 1-year period. For the long term, we provide some assistance to the structurally unemployed. For example, we accelerate in 1983 the dislocated worker program, have some easing of restrictions for Pell grants, and have an employment voucher program under unemployment compensation.

Do you believe that the Congress should focus both on the short-term remedy and providing as many jobs as possible with the fewest amount of dollar expenditures, along with retraining the structurally unemployed in the long term? Do you think that dual course is a proper course to pursue?

Dr. BOTTOMS. Yes, I think you have to focus on the short term in terms of jobs. I just read a Gallup poll survey of 1,200 small metal precision firms. The folks they laid off were those who were in training. They see, as the economy turns upward, that their problem is going to be that they cannot employ the journeyman-level worker. They will, in fact, begin to—

Senator KENNEDY. Excuse me. They cannot employ whom?

Dr. BOTTOMS. The journeyman-level workers; they are just not available. I would hope that as we mount a new jobs program, we

will simultaneously mount a focus on trying to do retraining; not only short-term retraining, but some intensive long-term retraining.

For example, since 1975 the best vocational graduates in this country have participated with some 15 other countries every other year in what is called an international skill olympics. I am sorry to report that we rank 15th in our overall score.

We simply, as a nation, have never given the intensive focus and the indepth training and the math and science and technical literacy base that has to occur to produce an advanced-level skilled worker.

A lot of the executive officers in large corporations are beginning to say that where we hurt in this Nation is in our ability to take our knowledge, to convert it into new products, and to have the kind of worker who understands broadly what is occurring in the work setting, because half the improvements occur in making the product, using the product and maintaining the product.

We simply have underinvested in this Nation in skilled and technical workers, not that these kids are not bright, but you cannot expect our youth to achieve their skills in half of the time—our vocational programs in this country run about half the length of those in Western Europe and the Far East. They have a 4-year program that is linked closely with the private sector, with much more intensive emphasis on the related math and science and technical literacy base.

So, yes, I agree fully with trying to focus on both strategies, but it is the latter one that I see not represented at all in Federal policies right now. There is simply no strong signal in Federal policies to get advanced-level technical and skilled workers.

Senator QUAYLE. Now we will turn to Senator Kennedy for questions.

Senator KENNEDY. I think that is a very important statement and one which I certainly would agree with. You can back up that statement by looking at the administration's budget requests for cuts in vocational education of some \$350 million, and also in cuts of some \$300 million in grants for the Job Training Partnership Act.

This gives support to the argument that we are not giving the issue of vocational education the kind of serious attention or the priority that it deserves.

Are you concerned about those reductions in the administration budget?

Dr. BOTTOMS. Yes, we are very concerned about the proposed—
Senator KENNEDY. Excuse me?

Dr. BOTTOMS. We are very concerned about the proposed cut-backs and will work very hard to prevent that from happening. We feel that continued Federal support is crucial in vocational education.

If you look at this Nation's system of vocational education, it is very diffused; it is located in comprehensive high schools, in specialized institutions, in community colleges. Without a strong Federal role that focuses on both excellence and equity, you simply do not have the means to begin to tie together. What any industrial-

ized nation must have is a vehicle for preparing a qualified work force.

Senator KENNEDY. One of the areas that I think is of very great significance is the youth employment and youth-training aspect of vocational education. Do you want to elaborate a little bit on the importance of it?

Dr. BOTTOMS. Senator, I would be pleased to comment. We have a serious problem in this country with about 25 percent of our youth. We have not developed an adequate education response to assist those youth to move from school into jobs.

One of the things that we have proposed for some time is that in the reauthorization of the vocational education legislation, we take a page out of title I and begin to focus on a kind of a compensatory Federal role that would focus on providing the extra assistance and the extra effort.

When you reach the 10th grade and you are still reading at the 4th and 5th grade level, it is just going to take more time for an individual to acquire the basic skills, the technical knowledge and skills, and some experience in the private sector. We may well have to begin to expand that effort.

The communities that have the largest number of unemployed youth have the least capacity to provide vocational education training. I would hope that some of the focus in the public works jobs, if that is the mode that emerges, will be to do some renovation of facilities in some of our inner cities to build a skilled training capacity there; it simply is not there.

We will have charts tomorrow at another hearing on the reauthorization of vocational education that will clearly show that we have an imbalance in the number of training stations available in vocational education in the inner cities, where you have the highest youth unemployment.

We believe that it is possible to tie together basic skills, vocational skills, and on-the-job experience in a concerted kind of effort. But if one traces back over the past decade, the Federal initiatives have not strengthened the educational side of that focus.

If I were shaping a youth dimension here, I do not think there is any way we are going to get the private sector to take youth that are unqualified, and I think we have to raise their productive capacity and I think that means a refocusing on very intensive kinds of education.

Senator KENNEDY. Is it your sense that the youth have to be brought up to a certain educational training level before the private sector is going to take these individuals into a training program?

For example, in the Springfield Skills Center, which I visited not long ago, it was my impression that many of these young people had to achieve some rather basic and fundamental educational skills before they could begin training in more specific job related skills.

One of the concerns I have is that there are those in this body, who believe all we have to do is just give a tax credit or some incentive like that and then all of our problems are going to be resolved because private industry is going to then employ these individuals.

I know there are circumstances where this is true, but in many other cases these individuals are going to have to reach a certain type of skill level first. I would be interested in your reaction.

Dr. BOTTOMS. In my experience, as I have traveled across the country and talked with our folks who are involved with this, I would agree that there has to be a certain level of educational development.

If you can go to an employer with an individual to get certain experience, if you can show that employer that there will be a related educational focus and that it will be of quality and it will be of intensity, you are more likely to get an employer to take a youth who is not quite up to standards yet, if there is going to be a concentrated, related educational effort.

Senator KENNEDY. You tie most of your program with workers collecting unemployment benefits. As you well know, only about 40 percent of the unemployed are getting those benefits under the change in the formula that was worked out in the first budget resolution of 1981. What are we going to do about the other 60 percent who are unemployed?

Dr. BOTTOMS. Well, hopefully, both the Pell grant proposal that you have proposed and the one that is in S. 242 would be of some assistance in that regard. I think we have to continue with outreach efforts to attract in those who are unemployed.

As the job training partnership legislation moves into effect, that begins to concentrate on a large number of those.

Senator KENNEDY. Perhaps you can elaborate a bit about how you think we can best deal with that. I would be interested in your suggestions.

Dr. BOTTOMS. I would be pleased to followup on that.

Senator KENNEDY. I would be grateful. Thank you, Mr. Chairman.

Senator QUAYLE. Thank you, Senator Kennedy. Senator Dodd?

Senator DODD. Thank you, Mr. Chairman. I am new to this committee; I have only been here a week or so. But I have always been intrigued with the notion of job training. We have a tendency to talk about it as if all people who were to be trained or retrained were in the same category.

There is a significant difference between the structurally unemployed and the cyclically unemployed, and they demand different responses. I wonder if you might address the distinction between those two groups and what we might do in dealing with the serious problem of the structurally unemployed—the exinmate, the AFDC recipient, or people who have never held a job.

Job training programs have a tendency to take people in on the assumption that they understand some very basic things. Yet experience has shown that people who have not had work experience are extremely difficult to absorb training programs with worthwhile effect. At least this is true for the traditional program, the traditional vocational school.

I wonder if you might assess how serious a problem you think that is and whether or not the distinction is worthwhile, and what we might do to distinguish between those kinds of training programs, and, finally, whether or not there are any good examples at the State level for dealing with structurally unemployed people.

Dr. BOTTOMS. Senator, there are a variety of training strategies. In terms of the structurally unemployed, as you have defined them, it has been our experience, and I think if you begin to look at the data that is available, that the length of that experience has to be at least 40 weeks or longer to get a payoff from that. I think you will find that employment, over time, is higher and that their earning rates tend to go up if it is somewhat long term training.

We have also found, taking the previous testimony we have given before a joint hearing of this committee and the House committee, that where those individuals were mainstreamed into ongoing, quality, postsecondary programs as opposed to setting them up outside of a mainstream program, you run about a 30 percent higher placement rate.

Now, we think the reason for that is you take the more difficult to train and, in that situation, you put them with the best staff, with the program that has the reputation with the employer and has an ongoing effort. If you create a program outside of that effort that has no continuing contact with a set of employers and the staff has no previous experience, you begin to set up your weakest program with the hardest to train and one that has no reputation with employers.

At least in that context, the more we can have a training program capacity that not only serves those who are not as difficult to move into employment, as well as the more difficult in the same kinds of programs, I think it enhances the opportunities of the hard-to-place.

Senator DODD. You wrap them together, in effect.

Dr. BOTTOMS. Mainstream them in.

Senator DODD. There was a program in Hartford, Conn., called Maverick. I do not know if you are familiar with it but it was a program that dealt almost exclusively with the structurally unemployed and with the never-employed-before or very-difficult-to-employ because of prior records. It was supported rather extensively by the private sector; in fact, the training people came largely from the private sector.

The industries that supported the program also, as you might well expect, did most of the hiring. I think it is an interesting point. They did not really have the cyclically unemployed or the person who has never been out of work before who all of a sudden finds a job gone, and can be retrained.

Are there programs like that that exist in some States that would be worthwhile looking at?

Dr. BOTTOMS. Yes. We could provide you with a list of outstanding programs that are making a difference for both the cyclically and structurally unemployed, if you would like us to do that.

Senator DODD. Well, you mentioned how we rank internationally in terms of what we do in this area. Can you identify for us some countries that have some creative programs in this area that involve some of the things you discussed, and what are they doing specifically?

Dr. BOTTOMS. Well, most of the European countries have a program that tends to be much more intensive than ours. It tends to cut across about 4 years of preparation, linked with experience in the private sector; much stronger emphasis on the related math,

science and technical base, as well as the laboratory kind of experiences.

I am not as familiar with the exact nature of the program they have in the Far East, but I presume it is a similar kind of effort. But they seem to make a greater investment in ongoing training in some of the Far Eastern countries than we make in this Nation.

Senator DODD. Who funds that?

Dr. BOTTOMS. Senator, I simply cannot tell you the funding mechanism for that arrangement. I can follow up and try to get that information for you, but I do not have that.

Senator DODD. I would like to see that; I would be interested in that. Thank you very much, Mr. Chairman.

Senator QUAYLE. Thank you. Dr. Bottoms, I have just one final question. In your statement, you said that our proposal to appropriate \$100 million for title III of the Job Training Partnership Act for fiscal year 1983 was OK, "but we believe a greater amount is needed." Are you talking about fiscal year 1983 or in fiscal year 1984?

Dr. BOTTOMS. Of course, we are well along in 1983. At least in 1984 and on, you are going to have to make a greater investment in the retraining effort.

Senator QUAYLE. Do you think \$100 million is about right for fiscal year 1983? Do you think that is an inadequate level of funding currently \$25 million is available for the dislocated worker program. I do not want to push you if you are not prepared—

Dr. BOTTOMS. I am not really prepared to—

Senator KENNEDY. I do not mind pushing you [Laughter.]

Senator QUAYLE. Do you want to go up?

Dr. BOTTOMS. I will stick with my statement. I think more money is going to be needed, Senator. You could spend more money in fiscal year 1983 on training. How much more, I am not prepared to say.

Senator QUAYLE. OK. Thank you very much.

Our next witnesses are from the Committee for Economic Development, Nat Semple and Kenneth McLennan. Greetings, gentlemen; welcome back. Because of your fine testimony a few short weeks ago, we are well on our way to having a jobs proposal emerge from this committee and also from the Congress.

So, fire away, Mr. Semple.

STATEMENT OF NATHANIEL M. SEMPLE, VICE PRESIDENT AND DIRECTOR OF GOVERNMENT AFFAIRS, COMMITTEE FOR ECONOMIC DEVELOPMENT; AND KENNETH McLENNAN, VICE PRESIDENT AND DIRECTOR OF INDUSTRIAL STUDIES, COMMITTEE FOR ECONOMIC DEVELOPMENT

Mr. SEMPLE. Well, actually, it is somewhat amazing what has gone on since then; it seems like we have gone through quite a lot.

It had been my intention today to talk chiefly about your bill, Senator, but I have in the past 2 days had a chance to see a draft of Senator Kennedy's bill and will make a few remarks about it as I go through my remarks. But first, I would like to make a few remarks about on the President's compromise proposal because I

think most of what we are talking about will be related to his proposals.

First of all, I think the President is making great strides toward addressing some of the serious problems facing the country, and I applaud the bipartisanship that has accompanied the current compromise. But I believe the compromise, as currently constructed—and I must admit my understanding of it is a bit vague, since I have not seen many of the details—suffers from some problems.

First of all, it relies chiefly on public works as a jobs-creating device. Now, as you will recall, Frank Lindsay testified that there are several problems with public works, including the fact that it does not target on the long-term unemployed; that it is not targeted to regions of greatest need, and that it suffers from a variety of other problems. We know them well.

I believe that in the spirit of bipartisanship, we should attempt, if that bill becomes the basis for moving ahead at least in the short run, to do something to redirect the proposal both to regions of the country that have the highest unemployment problems and, in some fashion, to bring onboard those individuals who have had the longest unemployment duration.

The second problem I find with the bill is that outside of the UI voucher it provides for only a simple, straight extension of unemployment insurance, when I think the time has come to look at that program a bit more creatively.

I think the proposals contained in your bill are extremely creative and I would urge that in contemplating the extension of unemployment insurance, these kinds of efforts be included.

Now, let me get to S. 242. I think your approach has been very well thought out and, on the whole, contains a number of items that would greatly improve the compromise package. I do want to make one slight criticism. Of course, criticism is probably sometimes the best form of flattery. This concerns the labor intensive program.

I think this part of the package suffers from some of the problems of the President's package, in that it is not really a clearly targeted jobs creation effort. I am not very sanguine about the Secretary of Labor assuring that the program moneys would go to the areas of greatest need or to the individuals of greatest need.

I would urge that in looking at this aspect of it, there are some features of Senator Kennedy's bill worth looking at. I think his proposal is a bit more targeted.

But neither approach really addresses the serious problem of the longest term unemployed.

In my view, there are three general categories of unemployment: youth, dislocated workers, and long-term unemployed. Last Thursday's edition of the Washington Post contained an article by David O'Neill of the Census Bureau, which indicated that 1.6 million individuals have been out of work yet are still looking for work for over a year.

Now, obviously, unemployment is debilitating under any circumstances, but for people who have been unemployed for longer than a year, it is a downright disaster. The way our current proposals are devised, they do not target to the long-term unemployed. With

limited resources, I think these are the individuals we should go after first.

How can one do this and avoid some of the shortcomings of the public works approach and the now discredited public service employment program?

One notion I have, the details of which are contained in my statement, would be to extend beyond your title III to permit a voucher arrangement to allow individuals who have exhausted their UI benefits, or who are the longest term unemployed, to be rehired in the public and nonprofit sectors. The voucher would go directly to individuals who would offer it to prospective public and nonprofit employers. Such an approach better match the skills of the unemployed with the needs of employers rather than through direct agency giving.

In my concept I would require that eligible individuals be among the longest term unemployed. I would propose that the subsidy be set at near the minimum wage, although this is a debatable point and could go up; it all depends on regional and other factors.

But one point I would like to stress is that it is important the prospective employers be required to put up some money because, in a sense, this avoids the problem of "make work" jobs. This would discourage "make-work."

Finally, any jobs program needs to have a different name. Perhaps we could call it the community revitalization program, to include both public services and public works.

You might notice that some of the stipulations I have mentioned are strangely similar to the ones that were contained in the 1978 revision of the PSE program, and they are. Bill Mirengoff has clearly pointed out that these targeted provisions in 1978 were rather effective in targeting toward the long-term unemployed and I think we should go back and look at those provisions.

My proposal not only includes some of those, but by being directed through a voucher system, would avoid some of the problems of patronage and substitution which plagued the earlier PSE efforts.

One way you might tie it into your bill, Mr. Chairman, is to reamend title III to allow this particular program only to go to the private sector employers. The first target for reemployment should be the private sector. My proposal would serve as a final option if all else failed.

Now, before commenting on a few other aspects of S. 242, I would like to address the issue of youth unemployment. As I mentioned before, S. 242 does not address the youth question. While we may have started to address youth in the Job Training Partnership Act, there are certain features of Senator Kennedy's approach which I, for some very real reasons, find quite attractive.

Although I cannot say for certain Senator Kennedy's bill appears to be modeled after a program initiated several years ago, called the youth incentive program, of which we now have a great deal of information. It is a program that, by tying education and part-time work into school participation and performance, has all kinds of advantages. I am very pleased that Senator Kennedy has gone ahead and reintroduced this concept because I think it has numerous possibilities.

Let me stress that the youth incentive program is one of the few programs I know of where we have a great deal of information, and if we have problems with the program, the information is of a sort that can assure that we do not make some very serious mistakes in its design. So, I would urge that the committee carefully look at that program, though I understand that there are serious budget constraints at this point in terms of dealing with the issue. I am personally very favorable to this particular approach.

Now, to get back to S. 242, I would like to make the following observation about section 202, which deals with the IRA. I think this is an excellent idea. In some way, I wish you could target it beyond the certified dislocated worker. I think you should find a way to target the IRA draw down to anyone who has been unemployed for a very long period of time.

Now, you can use any figure, but I think 39 weeks, at a minimum, is the figure I would use because by that time, it is clear that one of the few things people can worry about is their retirement. They are going to need every resource they can get, so I would urge looking at some amendment to expand that provision.

On title III, I think it is one of the most creative approaches to the problem that I have seen thus far. I am particularly enthusiastic about it because I think it has numerous advantages over the tax credit approach. I would be happy to respond to any detailed questions on that, but it is much direct, it is much more immediate.

The only thing I find problematical about title III is that I would urge some form of retraining during the same period. Right now, it allows for reemployment, and although I recognize you have done some effort in tying into the Pell grants, and I also appreciate how difficult this particular provision might be to construct, I would urge that some retraining and reeducation be allowed at the same time as an option to reemployment.

In general, I believe S. 242 provides the most thoughtful and comprehensive approach to the unemployment problem I have seen to date, and I commend you and Senator Kennedy's ability to show that under your leadership, you and your committee, as one House Member has said about some other bills, are not bankrupt for ideas.

[The prepared statement of Mr. Semple follows:]

TESTIMONY OF NATHANIEL M. SEMPLE, VICE PRESIDENT, COMMITTEE FOR ECONOMIC DEVELOPMENT

Mr. Chairman, it was only a few weeks ago that Frank Lindsay was here testifying on behalf of CED on job creation policy and it is nothing short of amazing what has transpired since then. Who would have thought that in this brief time the President and the Speaker of the House would have tentatively agreed on the outlines of a major jobs proposal.

It had been my intention today to limit my comments only to your bill S. 242, the "Employment Opportunities Act of 1983," but I believe it would be important to discuss it in relation to what I understand to be the general thrust of the President's compromise package.

Personally, I believe the President is making great strides towards addressing the serious problems facing this country in an open bipartisan fashion. This kind of spirit is good for the Nation and should be vigorously applauded. However, there are several features of the compromise which, while extremely worthwhile, may not—unless revised—live up to the great expectations of either the President or the Speaker of the House.

Perhaps the most serious weakness in the proposal is its reliance upon public works as a means of creating jobs. As you may recall, when Mr. Lindsay testified he went to some length to indicate how unsatisfactory an employment *creative device* public works programs have been in the past, particularly if they contain Davis-Bacon and other such provisions. I suspect that this new proposal is likely to contain similar prevailing wage language which will severely restrict access to the long-term unemployed and, if my understanding is correct the proposal also fails to target the jobs to areas of greatest need which will further reduce its net employment effect.

A second major aspect of the compromise which troubles me is the straight extension of unemployment insurance. While, in principle, I applaud this provision and believe it ought to be enacted under any circumstance, it is unfortunate that no effort is made to tie the extension into either re-employment, retraining or relocation. The evidence is quite clear that the longer a person remains out of work the greater the need becomes to provide that individual with the opportunity to learn new skills or other assistance to enable that person to find work.

On the whole, Mr. Chairman, I believe your bill S. 242 would be a better approach. I believe that there are several features contained in your proposal if adopted would greatly improve the President's program. But before delineating these I have to admit that there is one aspect of S. 242 that in my opinion needs some revision, i.e. Title I, The Labor Intensive Program. I sympathize with your intent in this program, but I fear that as currently drafted it suffers from some of the same problems as the President's proposal. First, while it appears to be targeted to areas of greatest unemployment and designed to create the greatest number of jobs possible, I am not very sanguine about the effectiveness of the provision that merely requires the Secretary of Labor to "consider" the degree of labor intensity of the program or the "extent to which" (the) funds . . . will be used in areas of high unemployment. I would urge that the program be more explicitly targeted. But even though I believe your approach is a step in the right direction, I believe that there may be other ways to attack the unemployment problem somewhat more directly.

Perhaps the question we should address is just who do we intend to help with the job creation proposals? In general there are three broad categories: (1) youth, (2) dislocated workers and (3) the long-term unemployed. Although your bill does not deal directly with youth, we have begun to address this problem in the Job Training Partnership Act. However, I believe this is an area we should pursue further but I will leave this discussion for another time. Your proposal does deal with the needs of dislocated workers and in a most creative fashion. Your bill also addresses the problems of the long-term unemployed as defined by those eligible for extended Federal unemployment insurance benefits. These later provisions as stipulated in Title III are among the most innovative I have seen thus far. But the bill does not, nor does any other I have seen, deal adequately with those suffering the longest period of unemployment.

In last Thursday's edition of the *The Washington Post*, David O'Neill of the Census Bureau pointed out that as recently as March 1980, nearly 600,000 out-of-work individuals had been actively seeking jobs for almost a full year. An additional 220,000 had become discouraged. Mr. O'Neill reports that by November of 1982 this long-term group grew to 1.6 million.

Any spell of unemployment is usually debilitating. But I believe that for anyone who has been unemployed a year or more it is a down right disaster. If one assumes the availability of a limited amount of money, it would appear only logical to address those suffering the longest spells of unemployment first.

How might one do this and avoid the shortcomings of both the public works and the discredited service employment programs? One notion I have draws from the approach you have taken in Title III which provides reemployment vouchers for recipients of Federally funded unemployment benefits. My proposal which could be tied into your Title III program, with some modification, would provide a voucher to those certified by the U.S. Jobs Service as being the longest term unemployed. This could be defined either as individuals who have exhausted all unemployment benefits, or others eligible for unemployment insurance who have had a strong attachment to the labor force but have been unemployed involuntarily for a long period of time. This voucher, which could be set at a rate not to exceed the annualized minimum wage, could be used by an individual to find employment in any public or private nonprofit organization providing community services. My proposal would allow the agencies to supplement the wage up to a certain maximum which should be something less than current entry level wage scales. I would limit the duration of the jobs to no more than 18 months which I would offset by the length of time an individual has received unemployment insurance. It would require that the employ-

er would certify that no displacement would occur as a result of hiring such an individual. The Jobs Service would certify both the unemployed individual and the employer.

Finally, I would suggest calling this approach the Community Revitalization Program which would cover all kinds of jobs, both construction and service that are designed to contribute to community renewal and growth.

If you sense that these stipulations should strangely like those adopted in the 1978 reform of PSE program, they are. As Bill Mirengoff has pointed out in his exhaustive analysis of the revised PSE programs, these targeting provisions were extremely effective in assuring that job creation went to those most in need. What makes my proposal different from PSE is that the jobs would not be directly funded from local government, thus avoiding the problems of patronage and nepotism that plagued the earlier PSE efforts. If the program contains the appropriate wage standards and is properly targeted, it will greatly reduce the risk of substitution. The jobs generated under this approach are unlikely to be "make work" since employers are required to supplement the wage and are unlikely to do so if they don't have a real need for the person.

My approach as devised would appear to conflict with some aspects of Title III where I understand the voucher can also be used by public employers. One way to tie it in is to limit Title III only to private employers with the provision that anyone refusing a reasonable job offer during that period would be ineligible to receive a community revitalization job. In effect, Mr. Chairman, what I am recommending is another tier to your proposal: Tier 1 is the regular unemployment insurance program, Tier 2 is your Title III but limited only to private employers and Tier 3 is the Community Revitalization Program.

My offering of this suggestion is in no way a criticism of your bill, in fact is the refreshing inventiveness of your bill that prompted my thoughts along this line.

Now let me briefly comment on the other aspects of S. 242 although I intend to limit myself, since with me is Dr. Ken McLellan who intends to comment much more specifically on these provisions. I strongly favor expanding the efforts to provide special assistance to dislocated workers as provided in Title II. I will only make the following observation. Why limit Section 202, which allows a draw down of any IRA only to a certified dislocated worker? I would suggest you also include anyone eligible for my Tier 3 approach which would include individuals who at a minimum would have been unemployed for at least 39 weeks. My view is that anyone who has been unemployed such a length of time has greater things to worry about than their retirement and need all the resources they can muster. Notwithstanding, I believe Section 202 is particularly imaginative and would urge its adoption.

Turning to Title III, this is perhaps the most creative proposal I have seen thus far. It has enumerable advantages over any other suggested reemployment subsidy and particularly the tax credit approach with which I have great difficulty. I would be happy to amplify on my concerns over the use of tax credits in the question and answer period, suffice to say that your approach is much more direct and much more likely to hire the unemployed.

If there is any weakness in Title III it is that it fails to include incentives for retraining and education, which absent a job opportunity, I believe would be very worthwhile. I recognize that you have attempted to expand educational opportunity to dislocated workers by making them eligible for "Pell" grants but such education and retraining needs to be offered to all the long-term unemployed. Admittedly, the construction of such an incentive would be complicated simply because the cost of education and retraining varies so considerably and there is no incentive for an educational institution to enroll someone who cannot pay their full way without a full subsidy. Even so, I believe that this is an area which should be further explored.

In general, I believe S. 242 provides the most thoughtful and comprehensive approach to the unemployment problem I have seen to date. And I commend you for your ability to show that under your leadership you and your Committee are not bankrupt for good ideas.

I will now turn to Dr. McLellan who will describe in greater detail some of the real advantages of your bill.

Thank you for the opportunity to testify today.

Senator QUAYLE. Thank you very much, Mr. Semple. Mr. McLennan?

Mr. McLENNAN. Thank you very much, Mr. Chairman. I would just like to add a few more detailed remarks to what my colleague has said. I should say at the outset that I have not had the benefit

of reviewing Senator Kennedy's bill, but I trust the judgment of my colleague in his assessment of the detailed provisions.

I believe the concepts embodied in this bill really are a very important development in our long struggle to develop a realistic employment policy in this country. It really identifies with Dave O'Neill's article in that there is this group of about 14 percent of long-term unemployed who are in really very serious trouble, who have either been unemployed for a very long time or have given up and are discouraged and are no longer participating in the labor force.

Now, I would like to indicate a few of the advantages of the approach taken in S. 242. First of all, I have some detailed modifications that suggest for some provisions, and these are included in my written testimony which is supplied for the record.

First of all, on the question of the use of withdrawal from your IRA account without penalty, the modification I suggest is that in order to avoid the problem of everyone who changes a job during the year having access to this without penalty, it might be wise to go back and look at the section which defines who a displaced worker is. This definition could be tightened up a little bit along the lines that my colleague suggested. There should perhaps be an additional requirement beyond the other optional requirements you have in that section. That additional requirement should be that there be a continuous period of unemployment of perhaps 26 or 39 weeks. That would insure targeting on the long-term unemployed and providing them with access to their retirement savings funds in situations of emergency.

Second, I strongly support the reemployment voucher. I understand that the administration also supports this concept and I would urge that the committee try to reach a compromise with the administration when they present their detailed plan. I do not think that the differences between the actual transfer of resources from the UI system to the employer are crucial, but I simply prefer the approach in S. 242, since it is much more direct. The administration's approach would complicate the UI tax system and the business tax system even further than we have already done. I think it would be better to avoid that and have the UI system make the payment directly to the employer who hires the long-term unemployed worker.

There is one feature, in the administration's proposal, that would stretch out the offset to the employer for 2 years rather than 1 year. This is my understanding; if this is true, I think this is undesirable.

There should be a sunset provision on the reemployment voucher because displacement of other workers, no matter what we put in the law, is likely to increase with time. The research evidence suggests that after about a year-and-a-quarter, displacement becomes very large, so there has to be some sunset provision in it.

Third, making Pell grants more readily available to long-term unemployed displaced workers more readily is a very imaginative proposal. It is the first time it brings together our employment and training system and our education system together in a very imaginative way.

Of course, displaced workers are eligible for student loan programs at the present time, but because of their relatively high

average age, putting their resources into that kind of investment does not provide them with a very high rate of return on their investment. Therefore, I think making grants more available to them is extremely desirable.

However, I would put one provision on the grant program. I would not permit a displaced worker to have access to this grant for more than a period of 1 year. I think 1 year provides a community college or a vocational education program sufficient time for any retraining that a permanently displaced worker requires. There are also some technical reasons in my testimony as to why that is desirable.

Lastly, I would like to turn to this discussion of whether we approach this problem through a labor-intensive program or some form of public works/public employment program. I think there are problems in S. 242, as my colleague has pointed out, with the labor-intensive programs. It is never going to be perfect. The concept is highly desirable, in that it tends to put money in existing programs that have proved effective in the past and where those who are delivering the additional Federal resources are likely to make the greatest use of them.

Unfortunately, I think that this really depends on how well the Department of Labor has evaluated the costs and benefits of these various programs. If the Secretary of Labor places funds where there is the greatest probability of success, then the program will be successful.

The other approach is to go for some kind of accelerated public works, or public employment program. While I think there are some questions about the effectiveness of public works programs, the advantage of going for public works is that we really all know that investment in this form of public capital has been the victim of declining increases in investment over the past 20 years.

These rates of investment have declined over 20 years. At CED we believe this has been caused by a consumption bias in public expenditures, just as we have identified a consumption bias in our tax code.

To reverse these biases are hard choices. You can either spend money on social transfer programs or you can spend it on public capital investment. These are not easy choices; some sacrifice has to be made in defense, in health programs, or in public investment, and the Budget Committee and the other committees in Congress are struggling with this kind of choice.

If we go the public works route, I would suggest that we use the user tax approach to financing it, wherever possible, so that those who are really getting the benefits of an improved harbor or an improved tunnel, improved roads, bridges, et cetera, are paying part of the cost. I think this is a highly desirable principle.

Another problem is that if you go with public works, as the administration and the House Democratic leadership are proposing, you are really going to be helping beneficiaries who are relatively high-paid construction workers, and you will produce fewer jobs per million dollars of expenditures, compared to Senator Quayle's proposal and, as I understand, the route that Senator Kennedy has proposed. In addition, workers in the construction industry, partly

because of the skill mix of the industry, are the highest paid sector in our economy.

In 1982 when there was a large number of construction workers unemployed, the average increase in their wage contracts was 9.7 percent. That increase is almost twice as much as the average increase in manufacturing. The average construction worker has a wage premium of about 37 percent over the average manufacturing worker.

Part of the problem is that every time the Federal Government funds public works, we tack on the traditional prevailing wage concept. This is a very important and symbolic issue to the American labor movement, and they have good reason, given past history, to be concerned about it.

But let me illustrate the problem by reference to what a former President once replied when he was asked about the state of public education in this country. He said, "I think every American child deserves a better than average education." Well, of course, this is absolutely impossible to achieve, but we all knew that what he meant was that every American child deserved a decent education, and it is the same with prevailing wages.

Federal expenditures should not be used by contractors to exploit the fact that there are a lot of unemployed construction workers. But the way the prevailing wage concept is administered is very much like how the President responded. The concept is that everyone deserves a better than average education or, in this case, wage increase.

If the Federal Government guarantees the average wage for all workers under this program, you are cutting off the tail of a wage distribution. Statistically, you have to push up wages; you have to push up the cost of construction funded by the public and you have to make it more difficult to control inflation.

Now, I realize that virtually no one wants to face this issue, but one thing that we might do to avoid part of the problem, by order of the Secretary of Labor, to transfer the function of conducting the area wage surveys to the BLS and have the bureau administer the entire program.

There have been numerous reports by independent groups, by academics, by agencies in the executive branch, and by the GAO, on the problems with the prevailing wage concept. All recommended major reform. I would therefore propose that we move in this direction. If we have to move toward a public works approach, I think that we really ought to examine this whole notion of prevailing wages.

I will end there, Senator. I am prepared to answer any questions you may have.

[The prepared statement of Mr. McLennan follows:]

STATEMENT OF KENNETH MCLENNAN, VICE PRESIDENT AND DIRECTOR OF INDUSTRIAL
STUDIES, COMMITTEE FOR ECONOMIC DEVELOPMENT

Mr. Chairman,

In my testimony today I wish to comment on the legislative proposals to stimulate the reemployment of the long-term unemployed. I will discuss some of the specific provisions of S. 242, as well as the general approach of the current effort to achieve a bipartisan policy to solve the serious problem of long-term unemployment.

The decision of the authors of S. 242 to focus reemployment policies on workers experiencing long-term unemployment is strongly supported by a February 17th article in The Washington Post by Dave O'Neill, senior staff economist at the U.S. Census Bureau. In this article, O'Neill presents statistics which show that "even in a deep recession, the amount of job turnover and the volume of new vacancies is great enough that most spells of unemployment are not very long." For example, of those who were unemployed in 1981, 72 percent had found jobs or left the labor force for reasons other than "could not find a job," by March 1982. The average length of unemployment of workers unemployed in 1981 was 13.3 weeks. O'Neill estimates that for 1982 the average spell of unemployment rose to about 17 weeks as the overall unemployment rate climbed to 9.8 percent.

For most workers, the basic unemployment benefit of 26 weeks performs an important income maintenance function while they search for a different job or wait to be recalled to their previous job. Strong non-inflationary economic

growth is the most effective way to reduce the length of time most workers must rely on U.S. benefits until they find another job.

However, there is a group of workers who have a much more serious unemployment problem. This group consisted of about 14 percent of the unemployed by the end of 1982. These workers had either been unemployed for 49 weeks or were "discouraged" because they had given up hope of finding a job after experiencing various spells of unemployment during the past year. This group of workers cannot find jobs because employment conditions in their industry or local labor market are seriously depressed. Many of these workers cannot find jobs -- at least not jobs which pay wages which were as high as the wages they earned in their previous job. In my opinion, S. 242 correctly identifies the group of unemployed workers in most serious trouble and is an innovative approach to help reemploy them. The following comments on S. 242 deal with the major substantive components of the bill.

1. An additional \$100 million for FY83 for Title III of the Job Training Partnership Act

I understand that the Department of Labor has already made \$25 million available for implementing this title of the Job Training and Partnership Act (JTPA). If Congress and the Administration provides additional funds beyond the initial \$25 million, I urge that every effort be made to give local government and private sector institutions, and especially the Private Industry Councils under JTPA, the primary role in determining what kind of training (if any) will be offered and which institutions will offer the training. In my opinion, since most dislocated workers already have skills and considerable

work experience, an important purpose of these funds should be to assist workers by providing labor market information through joint efforts by the local Employment Service, local educational institutions, especially community colleges and public and private vocational training institutions, and local employers. It is not obvious that all dislocated workers need retraining and we certainly don't need new institutions to provide retraining if it is required.

2. Provide dislocated workers with preferential treatment in applying for Pell Grants

Dislocated workers are currently eligible for assistance under the various student loan programs. However, their relatively high average age reduces the size of the rate of return they will receive when they invest in retraining, even with the assistance of a government subsidized loan.

Section 203 of Title II of S. 242 is an imaginative approach for encouraging dislocated workers to acquire training on their own. This magnitude of preferential treatment is restricted to excluding the equity value in the worker's principal place of residence and UI benefits in meeting the asset and income test under the Higher Education Act.

Since the dislocated worker is in the best position to judge the type of training that is likely to provide the greatest future benefits, I strongly urge the Congress and the Administration to adopt this provision. I would, however, suggest one important modification. While this provision would make the treatment of displaced workers similar to "independent" students

(some of whom now receive Pell Grants),¹ I think we have to be concerned about any program under which the public bears the full cost of investment in human capital.

In all other programs which provide a government subsidy for post secondary education or training the student pays part of the cost in the form of foregone earnings. This is highly desirable since it ensures that the student has a strong incentive to select an educational program which will lead to an economic return on the investment. Under Section 203 of S. 242, the federal government would pay all of the costs since the long-term unemployed worker has no earnings to forego. I therefore recommend that eligible displaced workers be restricted to receipt of a Pell Grant up to a maximum period of one year.

3. Waiver of 10 percent tax penalty for displaced workers who withdraw funds from their Individual Retirement Account (Title II, Section 202)

I strongly support this provision of the bill. It only seems reasonable that when a permanently displaced worker is in a difficult financial position, he or she should be able to use funds in the IRA account to assist in acquiring another job. The revenue loss to the U.S. Treasury would be extremely small, especially compared to the substantial amounts of general revenue which will be lost in supporting our other major retirement program, Social Security, under the Social Security Commission proposals which now have bipartisan support.

1. "Independent" students are those who do not receive a loan or grant on the basis of the income and assets of their parents. "Independent" students report their own income and assets and are frequently older students. Some, of course may be of traditional college age, that is students not living at home and who have not been claimed as a dependent on their parents' income tax return.

I understand the Administration is somewhat concerned that this provision may change the character of the original purpose of the IRA concept and the difficulty of ensuring that only the permanently displaced are given this option. Mr. Chairman, I believe your committee should reexamine the definition of a displaced worker in S. 242 (i.e., Title II, Section 201). Perhaps it would be desirable to make it mandatory for all workers to have been unemployed continuously for a specific number of weeks, such as 26 weeks, in addition to applying the additional optional criteria in Section 201 for defining a displaced worker. This should allay the Administration's fears that everyone who changes jobs during a year would qualify for withdrawal of IRA contributions without penalty.

4. Reemployment Vouchers for long-term unemployed

Mr. Chairman, Section 302 represents a major innovation in the development of this nation's employment policies. Permitting Federal Supplemental Compensation Benefits (FSC) to be used as an employment voucher will not guarantee the long-term unemployed a job. However, the enactment of Section 302 will, for the first time demonstrate that public policy makers recognize that there are important differences among groups within the unemployed, and that those in most serious trouble legitimately deserve some preferential treatment.

Since the 1930s our federal-state unemployment insurance system has probably been our most successful economic and social program. But the labor force and labor markets of the eighties have changed significantly since the

UI system was first introduced in the State of Wisconsin. I welcome Section 302 as an important step toward more flexible use of the UI system to assist the long-term unemployed.²

One of the important advantages of Section 302 is that it involves little or no net increase in the federal funds which would have to be spent in the absence of the Reemployment Voucher. I understand that the Administration agrees with this concept of reducing the cost of hiring the long-term through the Reemployment Voucher. Apparently, the Administration would make the voucher worth 100 percent of the FSC benefit for which the worker is entitled. Also, the Administration proposes to "stretch out" the payments over two years and reimburse the employer through an offset against the employer UI and business taxes.

Since the differences between Section 302 and the Administration's approach are not significant I believe a consensus on how to implement the Reemployment Voucher can be reached. My personal preference is not to implement the voucher through an offset in either UI or business taxes. I do not believe we should complicate either the UI or business tax systems further. Also some small employers may have little taxable income against which to offset the voucher. In addition, while a specific sunset date for the voucher program is essential because employment displacement is likely to increase with time, I think the

². In the future, the Congress and the Administration should consider other UI reforms which will ensure that the system is more effectively used to ensure that the financial contributions to the system, made by workers and employers, are used to assist those who are unemployed through no fault of their own. See testimony on Policies to Stimulate the Hiring of the Long-term Unemployed and Permanently Displaced Workers before the Senate Subcommittee on Employment and Productivity (12 January 1983).

the two-year stretch-out for reimbursing the employer is undesirable since employers would probably be receiving a subsidy during a period of strong economic growth.

5. Procurement targeting in labor surplus areas (Title IV)

I believe we should implement current government procurement regulations as they apply to labor surplus areas. The difficulty with Title IV is that government procurement should not be used to prevent economic adjustments from occurring, even though it is possible for procurement policy to ease the transition. Also, many areas in which business is the prime contractor for government procurement are large exporters of subcontracts. If agencies set targets for labor surplus areas it is unlikely they will reflect the dynamic nature of the procurement process.

6. Additional funding of Labor Intensive Programs vs. Accelerated Public Works

Both S. 242 and apparently the Administration in agreement of the Democratic House leadership propose additional federal expenditure to assist the unemployed. The Administration approach is mostly an accelerated use of 1984 and 1985 public works funds. S. 242 proposes \$2 billion for FY83 (Title I) which would be used to increase the funding of existing activities which receive at least \$100 million in federal funding, provided these activities are relatively labor intensive and located in areas of high unemployment. Any expenditure under S. 242 indirectly limits the wages received by any workers who work on activities which receive the labor intensive program. No such restriction has been indicated for the public works approach as defined by the Administration and the Democratic House leadership.

Within the constraint of expenditure of \$1,250 per month, per job S. 242 gives the Secretary of Labor considerable discretion as to which existing activities should receive additional funding. This approach has the advantage that it will provide for a relatively high number of jobs per \$1 million of federal expenditure. Whether the expenditure of funds produces economic activities from which long-run benefits to society will occur, will depend heavily on whether the Department of Labor has evaluated the costs and benefits of the programs the Secretary decides to select.

The alternate Administration-Democratic House Leadership approach has the benefit of targeting expenditures on bridges, roads, etc., which we know have been victims of a declining rate of public investment over the past two decades. However, the public works strategy has some serious weaknesses:

- An acceleration of future expenditures authorized for public works includes no assurance that the out-year expenditures will be reduced. Without this guarantee the effect on the out-year budget deficits is uncertain. Such uncertainty will increase the difficulty of reducing interest rates.

As pointed out in the forthcoming CED policy statement, Productivity Policy: Key to the Nation's Economic Future, the declining rate of investment in public "infrastructure" has been influenced by a strong consumption bias in public expenditures on social transfer payments. Reversing such a bias will involve sacrifice, but public policy makers have not demonstrated that they are prepared to ask for such a sacrifice.

I therefore recommend that if the public works strategy is followed any project receiving such funds should be financed with user charges wherever possible with the federal government receiving an appropriate share of any revenues generated by the project.

- The public works strategy will finance fewer employees per \$1 million of expenditure than S. 242 and the beneficiaries will be relatively high paid construction workers.

Mr. Chairman, the unemployment rate in the construction industry is extremely high and perhaps some of those unemployed are either long-term unemployed or discouraged workers. However, the construction industry has the highest wages compared to any other sector in the economy, partially because of the skill mix in the industry. In 1982, however, according to the U.S. Bureau of Labor Statistics, the average wage increase in the industry was 9.7 percent. In manufacturing it was 5.2 percent, about one-half the rate of increase in construction. In 1982, the average wage of a construction worker was 35 percent higher than the average wage of a manufacturing worker.

Mr. Chairman, these statistics should give your committee pause for serious concern before embarking on a substantial increase in federal expenditures on construction, even if there is an urgent need to improve the nation's bridges, tunnels and harbors. I do not believe such a strategy should be followed without some constraint on the wage rates supported by these expenditures.

I realize that the concept of "prevailing wages" has great symbolic value of the labor movement. I can understand this and believe there is justification for such a concern on the part of workers and labor unions. But let me try to explain the problem with an analogy to the response a famous former President gave many years ago to a question about the state of public education in this country.

The President's reply to the question was that he believed that "every American child was entitled to a better than average education." Every statistician knew that what the President said was impossible, but every American knew what he meant -- a decent education for every child.

The legitimate concept of prevailing wages is similar -- if federal funds are spent on construction then the workers are entitled to a decent wage. Federal expenditures should never exploit the fact that unemployed workers are anxious to get back to work.

Unfortunately, prevailing wage legislation and the way it is administered uses the standard implied in the President's response to the question about the state of education -- if all new construction workers receive the average prevailing wage, the whole wage structure is pushed up and so are the costs of construction and the rate of inflation.

If the public works strategy is adopted the wages paid must average less than the current prevailing wage in the local labor market. I realize that this is an extremely sensitive issue and that it is probably impossible to modify the relevant enabling labor standards legislation.

As a partial solution to the problem I propose that the administration of establishing prevailing wage standards for a public works program be transferred from the Employment Standards Administration to the Bureau of Labor Statistics. I believe this can be accomplished administratively by Order of the Secretary of Labor. This would protect the original purpose of the prevailing

wage concept -- to protect local workers' wages from contractors who import "cheap labor" into the local area.

One of the advantages of the transfer of responsibility for administering the program is that by using BLS data on area wage rates it will be possible to abolish the enormously costly reporting requirements under the present system. Also, the Secretary of Labor can instruct the BLS to develop the wage rates for occupations in local areas which reflect the existing range of wages within union and non-union wage structures in the local area. If this method of calculating the appropriate wage rates is used by the BLS, the number of new jobs per \$1 million of additional federal expenditures will be maximized. I believe that the BLS Commissioner should be given freedom to establish the wage rates in accordance with their traditionally high professional standards.

Finally Mr. Chairman, I know from previous testimony by the Administration that there is interest in the proposals for compensation flexibility and other labor market policies proposed by the Organization for Economic Cooperation and Development (OECD). The Social Affairs, Manpower and Education Directorate of OECD has reviewed the employment policies of many of the industrial countries which are members of OECD. I am sure that the U.S. Ambassador to OECD, Abraham Katz, would be pleased to provide the Congress with the OECD Secretariat's views on what has worked and what has not worked in other countries. The OECD has stressed the need for industrial nations to introduce flexibility into their unemployment benefit programs and encourage labor and management to negotiate more flexible compensation schedules. Otherwise, in all countries the burden of achieving the benefits of economic change will continue to fall disproportionately on the long-term unemployed.

In my opinion, S. 242 incorporates increased flexibility into our labor market policies and represents a major contribution to an effective approach to employment problems of the eighties. I urge that the Congress adopt the concepts included in this innovative legislation.

Senator QUAYLE. Let me just sort of pick up on the way you ended your statement. We are going to have emergency jobs legislation, which the administration and everyone on Capitol Hill talks about. We will have a jobs proposal to deal with the short-term, basically, the cyclically unemployed, and also try to deal with the dislocated worker, the long-term unemployed. Who are the individuals that we should help in phase one?

It seems to me that under the administration's proposal, which accelerates spending only for public works, there is going to be a very small group that is going to be helped, and that is highly skilled, highly paid construction workers.

Quite frankly, I question when those jobs are going to come on line. They may be able to begin somewhat sooner than usual, but any historical analysis shows that public works programs take a great deal of time to get started. As a matter of fact, with the Highway Improvement Act that we just passed, those jobs are not going to come on this year; they are going to come on next year and in the out years.

I wonder if you might be able to give this committee some suggestions for how we can focus on the short-term cyclically unemployed in the next 12 months.

Mr. SEMPLÉ. Well, Senator, I would be delighted to reemphasize what I said in my statement, which is that we should address the longest term unemployed. I think some of the articles in the Post this last week described the extraordinary suffering that people who have been unemployed for as long as a year undergo.

At any point, unemployment of any duration is extremely unfortunate, but by the end of a year and there are 1.6 million people right now who have been unemployed for a year it is a real problem. The way these initial jobs proposals are targeted, I would hasten to guess that a small fraction, if any, of those will actually be rehired or find employment. Public works is not the answer.

There is no question that there is extremely high unemployment in the construction industry. But it is my personal view that a further reduction in interest rates in housing will probably produce a factor more employment than all the direct construction programs that we could possibly fund. But no such reduction will lead to a quick turnaround for the longest term unemployed.

The second category we should go after are the dislocated workers. Now, one of the things you do in your bill is define dislocated workers. I think one could reasonably say that someone who has been unemployed for 39 weeks or more is dislocated; in fact, there is little done about it.

Your definition in your bill of "dislocated" is somewhat imprecise and would vary considerably. I would become precise about the definition.

Senator QUAYLE. I am going to follow up on that in just a second, but Senator Kennedy has an appointment and he would like to ask a couple of questions before he leaves.

Senator KENNEDY. Just briefly, I want to thank you both for your splendid testimony, which is really a followup to Mr. Lindsay's of a week ago which was enormously valuable.

I think you have targeted on the most important aspects of the administration's proposal and the alternatives which have been proposed by Senator Quayle and by myself.

I appreciate your favorable remarks about the inclusion in my proposal of the youth incentive entitlement program, which was, in its review, very positive in the school systems around the country, with a 68-percent increase in employment for teens. The point that you left out is that you were one of the principal authors of that proposal.

Mr. SEMPLE. I did not want to bias my thoughts; I would feel partisan.

Senator KENNEDY. I think part of what we ought to be doing is finding things which do work and trying to expand and breathe life into those, and discarding those that do not work. Certainly, your efforts in this area ought to be noted and I am quite willing to point out that we borrowed very heavily from that very successful experience.

In your comments about the eligibility of many of these workers for Pell grants, you note that not all of the proposals before the committee expand the resources for the Pell grants.

Unless we expand the program, we will be placing the needy sons and daughters of working people against the unemployed—basically, we would keep the pie the same size and make more people eligible for it.

In my proposal, we have expanded it by some \$300 million to provide for about 300,000 additional grants. If we are going to build on this concept, we must show sensitivity to the legitimate needs of both of these particular groups.

Mr. McLENNAN. I would generally support what you say, Senator. There is one issue that I think that the committee might want to look at, and CED has never studied this, but it is of some concern to me. In the past, when we had very rapid increases in aid to higher education, what strikes me as strange is that there was a very high correlation between the increase in college tuition and the increased funding of the program.

I mean we should be concerned about the way we deliver the Pell grants.

Senator KENNEDY. Yes.

Mr. McLENNAN. I think the eligibility is extremely important, and I think we all agree that it should go to sons and daughters of low-income families, and also to displaced workers. But I think that someone ought to look at the eligibility and the way the program is administered.

Senator KENNEDY. I will certainly look at that and I would welcome any ideas that you have. I am also on the Education Subcommittee and I know Senator Stafford and Senator Pell would also value any specific ideas. I think that that is a point well taken. We raise the support and then the tuition goes up, and the effect obviously is minimized in terms of helping these students.

But if we are able to address that issue more effectively, is it your own sense that in this area of the Pell grants, if we are going to expand the eligibility, we ought to at least expand the resources?

Mr. McLENNAN. Yes, I think you should, provided you have a limitation. The problem is that under this proposal the displaced

worker will be bearing a very small part of the cost, and in any investment in education you want the student to bear some of it.

Senator KENNEDY. Yes.

Mr. McLENNAN. The worker should be in a position to say, "If I invest here, I am going to get a rate of return." But I would support the proposal, provided there is a 1-year limitation for displaced workers.

Senator KENNEDY. Thank you, Mr. Chairman; I appreciate your comments.

Senator QUAYLE. Let me get back to the point I was pursuing earlier concerning the short-term problem. It seems to me that if I read you correctly, you are saying that we should not necessarily go with public works types of projects, but rather we should look at public service such as is incorporated in our bill. But we ought to be more specific in defining not only areas of targeting, but also in targeting individuals.

Am I reading you correctly, and if so, how do you think we should target these public service jobs on areas and individuals?

Mr. McLENNAN. Well, I think, Senator, that the fact that you have a limitation on the amount of funds—essentially, the wages per worker per month—will help a great deal, in that it is going to be targeted toward people whose skills are not very highly rewarded in the labor market.

So, you will be getting people with some skills, but perhaps their skills are not quite in mesh with what the labor market is demanding, and you will also get low-skilled people.

Now, I think that when you try to define an activity, it is much more difficult. I think, wherever possible, you should try not to define the activity too narrowly. You should be relatively neutral in what programs you support. I think the best way to do that is by restricting the amount of money per job, and then let that, plus your reemployment voucher, provide a kind of market test of where the money goes.

But for my mind, you could achieve part of the administrations public works purpose through your funding of existing labor intensive programs. There are some public works activities which do not require highly-skilled operating engineers or people who work in scaffolding. There is a lot of public works activity in which you could have lower-skilled workers, and if you could target it in that direction, it would be helpful. It is a compromise between what the President wants to do and what you want to do in the short run.

Mr. SEMPLE. Let me just make one point. There are four basic principles. One, you want it to be administratively quick. Two, you want to target it to a group you can define, preferably the longest term unemployed. Three, you want wages that are low enough to prevent substitution; in other words, an employer just replacing with Federal dollars what they would otherwise spend. But you want it high enough to provide for family support.

Four, you want it market tested. In other words, you want the skills of the person who is being hired to be related as closely as possible to what the employer would like that person to do.

Now, public works only meets one of those tests, and not even very well. Accelerated public works, you might say, could be administratively put on the books fairly quickly, if you already had

projects on the shelf. But as an employment program, it just does not seem to address the problem.

Now, personally, I do not see any problem—and Ken has mentioned this as well—with moving on public works, because there is clearly a need for improving the infrastructure and other problems of the country, and it does have long-term economic revitalization effects. But as a short-term solution, I am not enthusiastic.

So, however you devise the approach, whether or not it is through an existing program—Senator Kennedy goes through the Housing and Urban Development community block grant program, you want to test it on these notions. The concept I have, and I will not detail it any further, is simply somewhat modeled on your title III approach, which is a simple, straightforward arrangement through the Employment Service which enables the individual to have a voucher which can be marketed—its very simple and straightforward.

The unemployed person is certified by the Employment Service; where the voucher is picked up. The person goes to a public or a nonprofit agency, where there is still some discretion on both the employee and employer whether or not they match. It is tested a bit in terms of the job capability because the employer has to put up something, and it seems to be a little bit more open to allow individuals to go to agencies where they feel they who have skills related to what the employer needs, and would benefit from the job.

I am not going to say my approach is better than anyone else's, but when I designed it it was constructed to meet these four basic principles: Speed, targeting, wages, and market tested. That is why I have such difficulty with the public works approach.

Senator QUAYLE. One final question, Mr. Semple, and, Mr. McLennan, you can comment on this, too. You mentioned that you would like to expound on the tax credit idea. What are your thoughts as far as using a tax credit as a device to promote these jobs? Has it really worked and should we pursue it with any kind of vigor as we look at these jobs proposals that are coming down the line?

Mr. SEMPLE. Well, I have my own personal thoughts on this, and I know they are not shared by the business community at large, necessarily. I will just give you a small story. We run a little family farm, and at the end of 1 year I got an employment tax credit. and I said, "What was this for?" They said, "Well, because you increased your wages 10 percent." But I did not hire anybody, so it absolutely had no effect whatsoever. That was the first tax program.

The second year, we did not make any money so we did not get a tax credit. There was not any point in having a tax credit, and you didn't know it until the end of the year. What I am saying, in effect, is I do not think it is going to change the employer's decision on whether to hire someone just because there is a tax credit there. There are too many other factors involved.

That is why I think this arrangement that you have proposed is a lot more salable, because it is direct. There is no question about the fact that the employer is getting some benefit out of it up front. But in most of these cases, these jobs are going to be going to small

businesses, and small businesses, by and large, cannot handle all the excessive paperwork that goes along with some of these other tax credit proposals.

I personally think that there is no great evidence on it at this point; there is some, but I would prefer S. 242, personally.

Senator QUAYLE. Mr. McLennan, do you have any comments on the tax credit theory?

Mr. McLENNAN. Well, I think small employers always get a little bit nervous when the IRS is administering the program, and they feel that this is another intrusion of the Government.

Apart from the issue that many small employers, as Nat Semple said, do not have the taxable income in some years. I think that if a worker comes around with a voucher, it is up-front money, not stretched out over a period of time, but as in your bill it is paid each quarter. I think this is just a much simpler approach.

As you know, Senator, we do not want to complicate the tax system any more than we have already done. Frankly, while we have been making proposals for the unemployment insurance system, we do not recognize that the system is already so complicated. I would not complicate the whole UI tax anymore.

I think it should be simplified and, as I said before, the experience rating should be much tougher. That is another reform for the future.

Senator QUAYLE. Senator Dodd?

Senator DODD. Thank you, Mr. Chairman. Let me join with both Senator Quayle and Senator Kennedy in commending both of you for your testimony. It is targeted testimony, in a sense; you have hit specifically on some of the measures in the bill.

Last fall, at the conclusion of the 97th Congress, I offered a package that was supported by the Democratic Caucus as a modest proposal to create some jobs. It involved a targeting formula, but specifically tied those funds to the community development block grant program.

You listed four purposes or aims of a jobs bill as being targeted including, make it fast, keep wages relatively low, and try to match up jobs with marketplace requirements, or anticipated ones. We tried to include not only those but another and I would like you to comment on it. I refer to using the community development block grant program, because it was an existing formula that had political approval. It had been tested both in Congress and outside in the various communities.

Just as importantly, there was a backlog of identifiable work that needed to be done that, in addition to assisting the unemployed worker, would be of great assistance to the communities and States.

You have expressed at least some reluctance about the CDBG program in your testimony, and I wonder if you might comment on that additional point of trying to make these programs not only something that would help the worker, which is the obvious primary intent, but also avoiding the perpetual criticism about jobs programs in that they end up being sort of make work.

The constant criticism is that the jobs we are actually doing are unneeded or unnecessary. The efficacy of having a program that would hit that last point as well as doing things that are actually

worthwhile, needed, have been identified by our communities, and that enjoy a formula application that has been tested politically and has that sort of bipartisan, broad support—that was the idea, originally. It is that idea that Senator Kennedy has included in his proposal that he has offered at the beginning of this Congress—that basic notion. I would appreciate both of your comments on that.

Mr. SEMPLE. Well, I agree with your observation that a politically tested formula is something to hold on to. Having remembered some of the battles on developing formulas, once you get it on the books, it is sometimes not worth bringing it up again for all the problems it creates.

I have to admit that I do not understand the workings of the community development block grant program. I do have a feeling that it is more flexible than a lot of traditional programs. I know that it is used for a whole range of purposes.

My questions really boil down to ones of capacity. Could the community block grant program handle it? If so, and if it meets the tests above, it could be the way to go.

The community should be able to make the judgment as to what its specific needs are. It should be a flexible approach, but without further investigation, I really cannot answer your question very well.

Senator DODD. I should have added that one of the points of that original proposal of last fall was that those jobs would have to come on line within 90 days. I think the criticism you have raised about the public works approach, speaking specifically or generally about the large public works programs, is that we are talking in many cases about just the engineering taking a year or more on some of those before we ever see any kind of meaningful jobs come out of them.

In effect, we are not going to deal with the immediacy of the problem at all. Recognizing that some of the community development block grant programs may, in fact, fall into that category of the added requirement that jobs under that particular program must come on line within 90 days, it was a way of dealing with the quickness of the program, or at least the ability of unemployed workers to take advantage of those programs.

I would appreciate it if you might take a look at it a bit. I appreciate your saying you really had not looked at it that closely, because I could not agree more with you about formulas. When you get into them, it is better to use one that has been generally tested, is my sense of it, because you get into uncharted waters and these things invariably have a way of tilting one way or another, depending upon the coalitions you can build up in the House and the Senate.

You have got one that has worked pretty well, as I understand it, anyway, based on testimony of mayors and Governors and others who have watched it over the years. It seems to me, wherever possible, to utilize that kind of a formula, with some minor adjustments, in the case of moving a job on line makes sense. But I would appreciate a further look. I am sorry to interrupt you.

Mr. McLENNAN. I could just comment very briefly. I agree with you that if the existing formula is widely accepted between Governors and mayors and other communities, it is highly desirable.

There is a risk whenever you come up with a formula like this that you favor the mayors more than the Governors, and I guess Congress struggles with that all the time. But if it is the kind of formula that recognizes that the risk for, as Nat pointed out earlier, political considerations is overriding, then that is undesirable.

I think, also, the notion that when you get public jobs, if you have some way of testing how this relates to economic development and not simply just shortrun make work, this is desirable. In the long run, no matter what we do, unless the local area has economic development, there will be no jobs down the road.

My third suggestion, in going through the community block grant approach, which is the way I think that Senator Quayle has been looking at it, is that you have to be very careful that local areas do not offset the funds in their budgets.

I mean, we have seen the problem whenever local areas get into tight budget situations. If the Federal Government puts up the money, you want to be careful that the States or the local areas do not start withdrawing their money. There has to be really a sharing of the costs.

For example, under the highway proposal, if the States start calculating, "Well, how much am I going to get from this new \$5 billion highway funds", and say "let us look at our highway budget," then there is a problem. I think that is a problem when you go with a block grant approach, you have to be careful about.

Senator DODD. That is an excellent point and I wish I had made it myself, because that is exactly what has happened.

Mr. McLENNAN. Yes.

Senator DODD. The section 8 program is the one that comes to mind immediately.

Mr. McLENNAN. Exactly.

Senator DODD. We never really gave communities the opportunity to decide whether or not it was rehab they needed, or whether it was mortgage subsidy programs or new construction. Yet, that money was sitting out there and a community that did not go after section 8, even though it meant new construction, was considered foolish, in a sense, regardless of what their own local need may have been.

There is a danger, as you point out, with narrowing the options. Even though a community may have identified other needs, they will avoid those needs in order to go after just the available dollars for whatever it may be. I think that is an excellent observation.

I thank both of you for your testimony. I would appreciate it if you would take maybe a closer look at the CDBG program. Thank you, Mr. Chairman.

Senator QUAYLE. Thank you, gentlemen. We certainly appreciate your splendid testimony once again, and as you can see from S. 242, we have even incorporated into it some of the ideas that you gave us a few weeks back. So, thank you very much and we look forward to working with you in the future.

The next panel is, from the National League of Cities, Mayor Don Fraser, and Mayor Winfield Moses. Gentlemen, welcome.

Mayor Fraser, we certainly appreciated the testimony you gave us during consideration of the Job Training Partnership Act and the leadership you provided during the conference on that legislation. I believe we got a good bill for the country. We are delighted to have you back once again.

It is also an honor to have my proxy mayor from Fort Wayne, Ind. I come from Huntington, which is about 25 miles southwest with a population of 16,000 or 17,000. We have always viewed Fort Wayne as the suburban area of Huntington, so he is a proxy mayor of sorts. So, it is an additional honor to have him.

I know that in the Fort Wayne area he has been in the forefront in implementing the Job Training Partnership Act, where we continue to need help.

So, with those brief remarks, Mayor Fraser, please proceed.

**STATEMENT OF DONALD FRASER, MAYOR, MINNEAPOLIS, MINN.,
ON BEHALF OF THE NATIONAL LEAGUE OF CITIES; AND WIN-
FIELD MOSES, MAYOR, FORT WAYNE, IND., ON BEHALF OF THE
U.S. CONFERENCE OF MAYORS**

Mayor FRASER. Thank you very much, Mr. Chairman, and members of the committee. Mr. Chairman, let me first express my own personal appreciation for the very constructive and important role you have played in managing the manpower issues. I do think that the law that finally emerged after much work is one that will work, and we appreciate the effort that went into it.

I have a statement here which I do not propose to read. Basically, what the statement does is to point out that in each of the three bills that we talk about here, there are very good, constructive and useful features. And then I go on to point out some difficulties we have with each of the bills.

Rather than spend my time simply restating what I have already put down on paper, I would like to share with the committee an experience in our city to address what I regard as the priority in dealing with the current problems we are having today in the United States.

Let me begin by noting that in our State, we have about 200,000 people out of work. A very heavy concentration of those unemployed is to be found in the Iron Range, which used to produce the taconite for the steel mills. Taconite production has dropped significantly.

But we also have unemployment in the cities as well. In our own city, we have 17,000 people out of work on a job base of about 200,000. One of the difficulties of our State—and as far as I can determine, this is true of many States—is that there is no help available to an able-bodied person who is out of work.

Several years ago, our legislature withdrew eligibility from what we call general assistance or relief from an able-bodied worker. Now, if they have minor children, they might qualify for welfare. If they were in covered employment, they may have unemployment compensation. But absent those avenues of relief, we have lots of folks who are out of work, out of access to any kind of assistance, and out of hope.

Last year, a local foundation gave our city, and St. Paul as well, \$1 million and said we could use that money to create short-term jobs. We set up eligibility requirements that were pretty stiff. We said you had to have been out of work 30 days, ineligible for any kind of public assistance, and you had to meet, in effect, the CETA income standards.

We were able to produce with that \$1 million, 331 6-month jobs. We paid \$4.25 an hour; 163 of those were employed by our local park board and did excellent work, and 158 were employed by non-profit social service centers of various kinds.

Ninety-eight percent of those 331 people had had incomes in the prior 12 months of less than \$1,000. Most had been out of work over 7 months. This year, the McKnight Foundation renewed their support, and this time they offered us \$1.25 million. This time, the eligibility standards were tightened up even more. You had to have been out of work 90 days.

We had one press announcement of these job possibilities; we got 4,000 applications. We will be able to help roughly 400 people. That means we are going to turn away 3,600 people out of the 4,000 who applied. These are the people who are desperate. This is where I think the highest priority ought to be directed.

Speaking now just as the mayor of the city of Minneapolis, I like those features of the bills that direct money immediately, in effect, to public service employment. But I want to note that in our experience, we were not paying comparable or prevailing wages. We were paying close to the minimum wage, or a little bit above it.

We were only employing people for 6 months, but at least it gave those people some income, where today they have virtually none. This experience in our city with these two foundation grants led me to recommend to the Governor of our State a \$200 million a year jobs program that would essentially follow the lines of our city-run programs using foundation money.

I pointed out that in our State, we have an aggregate personal income of \$45 billion a year, and that one-half of 1 percent of that income would finance the magnitude of the jobs which I recommended.

My argument was, and would be today, that we have a responsibility as a community, and now I am speaking as a national community, not to treat those who have fallen off the edge of the economy as some kind of segment to be left adrift on their own.

It seems to me that particularly when people are out of work because of national policies, we have a responsibility to share, and that their unemployment ought to be a shared burden, not their burden alone.

Now, in my view of this, this is not a stimulus program; it is not a rebuild infrastructure program. It is essentially a work relief program to reach the maximum number of people. Now, let me just go through the figures here on the State level and then I will apply those nationally.

There are 200,000 people out of work, and if we are experiencing the same rate of covered workers who are receiving unemployment compensation, then 40 percent of those 200,000 would be drawing unemployment compensation. Of the remaining 120,000, probably a

significant number either have spouses working, they have other resources, or they are eligible for welfare.

But we figured that somewhere around 50,000 people would be those who had fallen out the bottom and were likely to fall through the safety net. That is why I was recommending that we create enough jobs so that 50,000 people could at least get a 6-month job, which would mean 25,000 at any one time. That would mean 12.5 percent of our unemployed would be assisted at any one time.

I stress that because the size of the program which I thought our State ought to fund would be equivalent to a \$10 billion a year Federal program. Our income and our population in Minnesota is approximately average. A \$10 billion program that used just the minimum wage and provided only a 6-month job would touch about 12 percent of the unemployed workers in the United States.

I have difficulty with programs that reach fewer; I have difficulty with programs that are only going to reach 1 percent of the unemployed. When we require prevailing wages, we automatically say, well, some are going to come off pretty well and the rest are going to be left out in the cold.

So, I wanted to share with the committee this particular philosophy. I might just add that in this last foundation-sponsored effort in our city, we diversified our options. We had the public service employment I have already described. We are also making the money eligible for part-time jobs for persons who are in training. We are proposing a 2-month subsidy for a kind of on-the-job training program with the private employer, and we are also proposing the possibility of a 6-month subsidy with a private employer, of which we might pay up to \$4 or \$5 an hour of the wage cost.

But at the end of the 6 months, or at least some time later, the employer would be required to pay 70 percent of the money back to the city.

The final comment I would like to make is that whatever program may be settled upon by the Congress, I hope you will not try to write everything here. I hope that what you will do is set broad parameters and let local communities or service delivery areas or States work within those parameters. Require the local delivery area to submit plans that show how the money will be spent, what kind of work will be done; show that there would be adequate supervision and evaluation.

In other words, set the general outline, but allow maximum flexibility to use the private sector, the public sector, and the nonprofit sector in order to maximize the number of jobs that could be obtained.

Mr. Chairman, that is where my priorities would be. I find the other programs interesting. I think any money spent on infrastructure is good, but it ought to be, in my view, thought of as helping to repair our infrastructure. It does not reach the millions of people who are really desperate today, and it seems to me that is where we really have to focus our attention. Thank you very much.

[The prepared statement of Mayor Fraser with attachment follows:]

STATEMENT
OF
DONALD FRASER, MAYOR OF MINNEAPOLIS, MINNESOTA
FOR THE
NATIONAL LEAGUE OF CITIES
FEBRUARY 22, 1983

Mr. Chairman and Members of the Committee. I am Donald Fraser, Mayor of Minneapolis, and Chairman of the National League of Cities Human Development Committee. I am here today to testify on behalf of NLC and the 15,000 cities it represents.

My colleague, Mayor George Voinovich of Cleveland, testified before you a little over a month ago and made a number of suggestions on how we believe some of our severe unemployment problems can be addressed. We are pleased to note that many of his suggestions have been incorporated into the proposals before you. We are also delighted to note that at long last the Administration has recognized that this country has an unemployment problem of tragic dimensions and has demonstrated a willingness to make some attempt to ameliorate the problem.

I also wish to point out--especially in light of the reluctance of some to regard state and local governments as appropriate vehicles for implementing jobs creation programs--that concern for the unemployed is not exclusive to Washington. We, at the local level, have felt the impact of unemployment for quite some time and with a degree of intimacy that is

disheartening. And we have not sat idly by, waiting for the Federal Government to do something. I would be amazed if you could find many local elected officials who have not legitimately used resources at their disposal to ease the burden of unemployment in their communities. You know that Mayor Voinovich has and so have I. Minneapolis is not among the hardest hit, but jobs are our top priority.

All of the proposals pending before you have merit, but each can be improved. Let me begin a brief commentary on three of the major proposals before you--S. 242, S. 266, and S. 493--by reiterating the points made by NLC in earlier testimony.

First, we recognize that these programs are designed to stimulate the economy and will add to the deficit. We will leave to your discretion the burdensome task of deciding what amount is appropriate in light of today's budget deficit. I can assure you though that any amount you entrust to us will be well spent.

Second, in order to have immediate impact on the problem, authorize us to create a public service employment program immediately.

Third, given the predictions of continuing high unemployment for the foreseeable future, we believe public works programs are appropriate tools for job creation, especially given our massive infrastructure needs.

S. 242, Employment Opportunities Act of 1983

The Quayle proposal is to be commended for attempting (1) to use existing programs to minimize delay in implementation; (2) to make your program accessible to a wide range of actors--federal, state, and local government and the private sector; (3) to begin to address both short-term jobs needs as well as long-term retraining and education needs; (4) to encourage more flexible use of the unemployment insurance program; and (5) to target federal procurement to labor surplus areas.

However, we believe your proposal puts far too great a reliance on federal agencies. We perceive a weak commitment from the Administration and are concerned that federal agency heads will not enthusiastically identify and develop potential labor intensive programs within their purview. We are also concerned that too much discretion is left to federal agency heads to ensure that programs are targeted to areas of greatest need. Given limited resources, we believe Congress has a responsibility to define clearly and precisely what percentage of funds must, as a matter of law, go to areas of high unemployment.

While we are delighted with your attempt to target federal procurement, we have not had an adequate response so far to Congress's existing injunctions to "try." Tell the federal agencies they must and tell them how much. Seventy-five percent might be a bit much, but we don't see anything wrong with 10-20 percent for starters.

Proposals that offer payments to the private sector for hiring the long-term unemployed have not yet proven to be effective. An employer in business to make a profit is not likely to hire unneeded staff solely to receive a tax credit. A private sector employer requiring additional staff will hire whomever it needs without being paid to do so. Perhaps a smaller incentive to ensure first consideration for those who've been unemployed the longest should be tried. However, the use of private employers to provide short-term jobs where the wages are amply subsidized is a different issue. An adequate program of work relief might well use a private company as a work center for temporary jobs, especially if traditional public service jobs are not available in sufficient numbers. Care would have to be taken to prevent displacement of regular workers.

S. 266, Community Renewal Employment Act

It can be no surprise that the Hawkins-Cranston bill would be quite acceptable to the nation's cities. It creates a mechanism to employ the unemployed in the shortest time possible; it directly funds units of general purpose local government; it authorizes a variety of activities, all of which are desperately needed at the local level; and it targets funds to individuals and jurisdictions most in need.

We have three basic problems with S. 266: wages, supplementation and the limit on the number of jobs per community.

On the wages and supplementation issue, I believe that what is being proposed here is one of the principal reasons for the negative reputation of PSE. On the one hand, we were mandated to pay prevailing wages, but, on the other hand, not to exceed \$10,000 a year. These two requirements taken together made it very difficult to create effective work experiences for large numbers of people. I assume that the flexibility to supplement wages is intended to address this problem. In all candor, many state and local governments will have difficulty finding money for this purpose.

In addition, we object to the provision limiting the number of jobs available to a given community to 5 to 10 percent of the municipal workforce. In Minneapolis, 5 percent of our workforce is 250 jobs, and we have 17,000 unemployed. In smaller jurisdictions, even with a 10 percent restriction, it would mean so few jobs that it would have virtually no impact on unemployment. Based on municipal workforce data collected by the U.S. Bureau of the Census, a city like Bellflower, California (population 53,441) could fund 7 jobs; Fresno, California (218,202 population) with 15.4 percent unemployment would get 111 jobs; and a city like Rockford, Illinois with over 20 percent unemployment would get 54 jobs.

S. 493, Emergency Jobs, Training and Family Assistance Act

We approve of the Kennedy proposal (1) to add \$3.5 billion to the Community Development Block Grant program; (2) to target funds for youth employment programs with incentives to complete school; (3) to address, as has Sen. Quayle, the long-term retraining and education needs of

displaced workers; and (4) to provide emergency assistance for the basic needs--food, shelter, clothing--of the long-term unemployed.

While we applaud the addition of funds for youth employment, we are rather surprised to note the bill's deviation from the newly enacted Job Training Partnership Act. We understood that the partnership agreement created in JPTA stipulated joint agreement between PICs and local elected officials on programs, service deliverers and administrators of programs. We can think of no reason to alter a newly established structure before it has even been put in place.

We would urge you to provide additional funding for the summer youth employment program. Given the outrageous unemployment rates among young people, most especially minority youth, \$1 billion to provide one million summer jobs is entirely appropriate.

Sen. Kennedy's proposal to add \$3.5 billion to CDBG makes good use of an existing program's legal and institutional framework. Our major questions would involve (1) eligible "labor intensive" activities, which the bill leaves to the HUD Secretary to decide and (2) the distribution of funds, at this point only because we are not sure we understand the relationship of the formula to the CDBG formula or whether the bill provides monies for non-entitlement areas (which we clearly believe it should).

In conclusion, we regard these proposals as only part of a comprehensive strategy to address the significant changes occurring in the world of work. We appreciate your concern for providing immediate relief and look forward to working with you in the future on the other components of a strategy to ensure this country's economic viability well into the future.

Thank you for the opportunity to share our views with you. I would like to submit for the record a copy of my State of the City report, which I believe amply demonstrates the commitment my city has made to self-help and to job creation. I would be happy to answer any questions you may have. .



The State of the City—An Agenda for 1983

Donald M. Fraser

Mayor of Minneapolis

State Of The City - An Agenda For 1983

Minneapolis is currently weathering the recession more successfully than are many American cities. Housing construction permits last year hit a 10 year high, downtown development continues, and basic City services remain intact despite severe budget cuts.

However, more than 17,000 citizens of Minneapolis are seeking but cannot find jobs. Moreover, the "safety net" is not working for many of them. Two years ago the state made able-bodied persons ineligible for general assistance. This may have been acceptable when there were jobs, but now it is a cruel joke.

This is the central fact which those of us responsible for public policy must address. There are neither market place remedies nor private actions which can restore hope and opportunity in the near future to those out of work today. Even the most optimistic forecasts for the coming year predict slow recovery in our economy, with Minnesota lagging behind the rest of the nation.

The McKnight Foundation earlier this month provided one and a quarter million dollars to Minneapolis and a like amount to St. Paul. This money is to provide jobs for those who have fallen out the bottom. These jobs will be given to persons who have been out of work at least 90 days and who are ineligible for any other form of assistance. In addition their income for the past year must be less than 80% of the area median income. Last year 98% of all participants in the project had earned less than \$1,000 in the preceeding year.

A simple press announcement for the latest program elicited 4,000 calls. About 400 will be assisted and 3,600 turned away.

Meanwhile over 190,000 of us who live in the City have jobs. Most of us have a livable income, even if for some of us it is barely so.

Must the misfortune of the 17,000 be theirs alone?

OUR HIGHEST PRIORITY IN 1983:CREATE JOBS FOR THE UNEMPLOYED

Today I urge three actions to address the problem of unemployment. Two are short term efforts dictated by the severity of our current recession. A third is longer term, designed to foster the growth of enterprises to provide more permanent jobs.

A new state jobs program is needed.

First, I propose that the State of Minnesota fund at least 5,000 jobs in the City of Minneapolis which would last at least 6 months during 1983 and a like number for successive years until employment returns to higher levels. Since these jobs must be part of a state-wide program, a total of 50,000 jobs would need to be funded each year by the State.

Eligibility would be restricted to those who had run out of alternatives. Persons would have to meet stringent requirements similar to those set forth in the McKnight-funded programs.

The jobs would be provided by public authorities, by non-profit community agencies, and by private firms which agree to place temporary additional help on their work force with appropriate subsidies and taking care that regular workers are not displaced.

Each jurisdiction making application to the State for funding would be required to establish plans for such jobs, working with public authorities and the private sector. Such plans would need to provide assurance that the work is meaningful, will be adequately supervised, and where possible will involve training.

How do we pay for this?

In our city, and throughout our state, we have taken great pride in the growth of partnerships between government and non-governmental bodies.

We know that cooperation and sharing make sense and create progress.

Is this partnership and sharing to stop when someone falls off the edge of the economy?

When a member of a family is unemployed, the rest of the family rallies round to help the unemployed person. When a family in a church community is in trouble, others frequently pitch in to help. Every day we read about workers within a company voting for shorter hours or less pay to avoid lay-offs.

So in these smaller settings, where we feel a mutual sense of responsibility, we share.

That is what I am proposing today for the broader community - sharing. Those of us who have jobs need to recognize the plight of our neighbors. We need to share.

The only way we can do this within the larger community is by asking our government to make it happen. This already happened late last year when all public employees in Minnesota were required to accept a 2% pay cut. The only justification for this action was the avoidance of further lay-offs - a form of sharing, even if involuntary.

The total personal income of Minnesotans today is about \$45 billion a year. One half of one percent of that income would more than fund the level of jobs I am proposing today. We would each reduce our standard of living by one half of one percent in order to give a substantial lift to those who are in trouble. If public employees can be asked to give up 2% of their income to save jobs, cannot the rest of us also share in order to alleviate the plight of those with no other place to turn?

The tax increases needed to provide these funds would be labelled "emergency job taxes", and should last only so long as they are needed. I believe the public would accept the necessity of reaching out to those who today are without hope.

Establish community resource centers.

The second proposal is to assist the unemployed by creating resource centers for them in various locations within our city.

The resource centers will encourage the growth of support groups for the unemployed and will be managed by a community organization or a local social service agency.

The centers will provide a place to go to talk and to share problems and frustrations with others. They would provide a place for unemployed persons to obtain whatever information and help might be available. They can serve as message centers for the unemployed person who is actively seeking a job and cannot afford to stay home to wait for the telephone to ring. Lists of shelters, food shelves and other community resources will be made available.

These centers can also become the focal point for additional efforts by others to ease the problems of the unemployed. For example, a law firm might agree to work with a center to provide legal assistance. Personnel specialists might offer instruction in job-seeking. The Metropolitan Transit Authority, with its unexpected infusion of new federal operating subsidies, might provide through these centers short term bus passes for the jobless seeking work. These centers would be staffed by unemployed persons who are hired under the most recent Work Opportunities Project funded by the McKnight Foundation. Each center would serve one of the districts identified in the Minneapolis Employment Strategy Task Force Report, with as many centers being developed as feasible.

New jobs in research and technology.

The third proposal is to enrich our local environment for the nurturing of technology-based industry in order to create more permanent jobs.

The Twin Cities rank among the top five centers in the United States for the development of new products using advanced technologies. This is the place where the computer was born. The only two U.S. manufacturers of super-computers, Cray Research and Control Data, are headquartered here. New medical and agricultural technologies have been spawned here. In Minneapolis, we continue to benefit from the presence of a strong University whose engineering and mathematics programs are ranked top in the nation.

Recently Honeywell announced it will build a research center on a 38-acre site along the river in northeast Minneapolis. We welcome Honeywell's decision as we earlier welcomed the construction of the new Pillsbury research laboratories on the east bank of the river, as we have welcomed Control Data's new Business Technology Center on the west bank and as we now welcome consideration of the former Marshall-U High building as another research and development center.

We can do more, however, to strengthen the potential of this City to spawn and hold new enterprises using advanced technology. The City Council and I have been working together to find the most appropriate means to move us in this direction. We have concluded that public-private cooperation will again best serve our interests. Today we propose to create a Research and Technology Task Force composed of scientists, educators and business people to explore the various ways in which the City might increase the scientific, technological and research oriented components of our economy. The Committee will examine the following three concepts:

- 1) Establish a science, technology and research park or center which is close to the University, the downtown, and Control Data's Business and Technology Center, where dedicated communication lines would be

available to link industries located in the park to the University, the loop area and other parts of the complex. Cable and transit linkages should be examined along with the possibility of developing underground space.

- 2) Explore ways in which international attention can be drawn to our area for its technological growth and future promise. The Committee will look at the possibility of developing an exhibition facility designed to showcase high technology Minnesota products, and it will explore the advisability of establishing a Technology Trade Mart where buyers and sellers can exchange ideas and evaluate products in a controlled marketplace or forum. Such facilities might contribute positively to a science, technology and research park, might have a positive impact on the convention and tourism industry, and, with a teleconferencing capability, might contribute a sufficient "critical mass" to attract business starts and expansions.
- 3) Examine the need for changes in existing public policy and regulations in order to provide focused economic development incentives and to further enrich the City's entrepreneurial environment. The committee should identify low cost space in existing warehouses as possible incubator space for business starts. Ways should be studied to bring ideas and entrepreneurial talent together.

The Task Force will be charged with examining these and related ideas in order to develop a strategy for technological growth. We will ask them to report by July 1, 1983.

TARGETING, NETWORKING, LEVERAGING:
NEW IMPERATIVES FOR DEALING WITH OUR PROBLEMS

These three proposals to deal with unemployment illustrate analytical concepts which can improve our problem-solving in the City. These concepts are: "targeting", "leveraging", and "networking".

Targeting means taking more precise aim at our problems in order to conserve our resources. Leveraging involves gaining the maximum multiplier effect from the use of our resources. Networking adds to our resources by encouraging mutually supportive relationships with others as we respond to problems. These approaches would assist us at any time, but become even more important as we face shrinking resources.

Improved targeting of our resources.

The proposal to fund jobs for those who have fallen through the safety net illustrates the concept of targeting or focusing resources on a specific problem. A contrasting approach would be to fund a program of public works in order to put people back to work. While such action may be desirable, it is not likely to reach those who are in greatest need.

The lack of targeted help to our jobless is reflected today in the heroic efforts of our churches and volunteers who have rallied to provide emergency shelter and food to the growing numbers of hungry and homeless persons.

We fully acknowledge the plea of those providing this help who believe that they should not have to continue to fill a gap created by inadequate governmental policies. Action to provide jobs and restore general assistance in this session of the Legislature will reduce the need for this kind of help.

I recognize that I am urging state action to help ease City problems. But we have little choice given our fiscal constraints. We also recognize the State's current fiscal distress. We need to work together to assure that every possible improvement is made in the financing and delivery of services at both

levels of government. In this connection we have two more recommendations which we urge upon the State:

- 1) that local government aid be more carefully targeted, so as to assure the most efficient use of resources. This requires modifying the municipal aid formula to assure that aid is based upon need. This aid provides one-third of our operating budget so we have a strong stake in its survival in a more carefully worked-out form.
- 2) that relief to homeowners be targeted along the lines suggested recently by the Legislative Auditor. This means directing relief to those homeowners who most need that relief, again conserving resources.

Another example of the need to target our resources is in public housing.

Today we own and operate 6,676 units of public housing. We lack sufficient funds to properly maintain this housing. We really don't have a clear idea of what the future holds either for this significant housing resource or for other programs to house the poor. Federal policy-makers are rethinking past programs, but may focus more on further cuts than on community needs.

Managing our public housing assets with declining resources calls not only for extraordinary professional skill but also for new approaches.

Because of the importance of this housing I urge that we establish a committee to find the most effective way to improve and finance our public housing on a long term basis. The committee should be broadly representative of the community and would be staffed by the Minneapolis Community Development Agency.

One special problem which has become more apparent as the economy worsens and governmental programs are cut back is that of the chronic inebriate. Emergency shelters are for sober persons. The existing detoxification centers

are quickly filled and then we have no facilities to house those who must be housed for their own protection. Some progress in finding an appropriate facility has been made but will require further work by the Advisory Committee on Drug and Alcohol Problems, our Hennepin County Commissioners and the Legislature.

Networking, or creating cooperative relationships.

The proposal to create resource centers for the unemployed draws heavily on the concept of networking. By establishing such centers, we will bring people together for mutual support, and we will enable others to participate as appropriate. Within our community there is an abundance of compassion and willingness to help, but we need the networks to match people and resources as simply and easily as possible.

Networking is at the heart of a major employment strategy designed to assist the hard-to-employ in the City. That strategy called for the division of the lower income areas of the City into 10 districts and creating within each district networks among employers, community agencies, churches, neighborhood organizations and others willing to work with the hard-to-employ. The strategy is more difficult to implement because of the high level of general unemployment, but continues to show promise as we expand these efforts into new districts.

Networking is a valuable tool which through the building of personal relationships can generate new resources and break through institutional barriers.

The networking approach needs to be strengthened in two areas: First, in our relationships with our neighborhoods. Neighborhoods represent a level of community participation which strengthens social bonding and gives individuals a sense of ownership in growth and development through participation in decisions affecting their community. Their roots are deepened and their

commitment to the City strengthened. Minneapolis has long been proud of its neighborhoods which have originated some of our most innovative development. We need to foster partnership with the neighborhoods. This means that they must be empowered to play more than a reactive role.

Although we have enjoyed neighborhood partnerships for a long time, financial support for their role has declined as the City has cut budgets. A look at community development block grant funds illustrates the point. The City spends over 15% of those monies for its administrative expenses but allots the neighborhoods less than $\frac{1}{2}$ of 1% to carry out their end of the relationship.

What is clear from recent debates over this issue is that there is no consensus on restoring financial support to our neighborhood organizations. Rather than renew the struggle, it may be opportune now to take a fresh look at how the City and neighborhoods can best work together. Certainly the new Office of Citizen Participation in the Planning Department is a useful point of departure. That office can help make available information and technical assistance from all City departments.

We have three possible sources of funding for neighborhood organizations: the Community Development Agency, the Community Action Agency, and the City itself. Over the next few months we need to work together with neighborhood representatives in fashioning the most economical and effective means of restoring vitality to the partnerships which have proven so beneficial to the City.

The issue of funding should not obscure the many contributions flowing from existing neighborhood activities including energy conservation, recycling, crime prevention, park and recreation activities and many others.

Today I suggest two more activities for consideration in the coming months:

- 1) increased participation in the juvenile justice system. We have models in other cities through which citizens at the community level play a role in recommending how youthful offenders should be dealt with. The juvenile justice system today tends to operate independently of the communities from which offenders come. This lack of feed-back robs our community of an important potential in social control, the kind of control more recognizable in our smaller communities. Such an effort would require the active support of the various agencies involved in juvenile matters, but I believe this should be actively explored.
- 2) the involvement of neighborhood areas in keeping snow removed from bus stops, fire hydrants, and sidewalk access to crosswalks. Twice within 12 months we have had severe snowstorms which left our city difficult to navigate especially for our elderly. I recommend that the City offer to enter into five year contracts with areas of the City which form themselves into snow districts for the purpose of managing this snow problem and for such other snow removal activities as they might decide to undertake. The City would pay an annual fee to the snow district in exchange for their commitment to keep the bus stops, fire hydrants and access to crosswalks open throughout the winter months. The costs to the City would be modest and could significantly improve conditions within each such area.

Finally, we need to improve cooperative relationships with the thousands of employees who serve us.

Some of our relationships are necessarily adversarial such as in collective bargaining. Some have become adversarial not so much by design as by the ways in which

management decisions have been made and applied. We have asked a lot more from our employees as our City's work force has grown steadily smaller due to stringent budgets, but too often we have proven insensitive to their concerns.

I believe that we can more effectively work together for the good of the City if we open up channels of communication, consultation, and cooperation to the maximum extent feasible. I propose that the City work with a committee of employees and outside consultants to review all of the ways in which cooperative relationships can be strengthened across the various departments of the City.

One of the important steps which the City can take to demonstrate that it is serious about improving employee relations is to adopt the concept of comparable worth which means that comparable compensation should be paid for jobs of comparable value. The implementation of comparable worth will be difficult and will require careful planning. Classification studies will be needed along with a review of the City's classification and compensation system. We need a committee to examine all aspects of the question and draw upon the experience of state government.

Leveraging our resources.

Leveraging for many of us in City Hall has become a familiar concept. We have often judged proposed public or private expenditures by their multiplier effect.

The proposal to encourage new businesses employing advanced technology is an example of potential leveraging. By investing relatively modest private and public funds we seek returns which in the long run will repay us in jobs and investment.

The concept of leveraging is needed even more today in our housing programs. With direct federal subsidies no longer available to assist low

income families to secure decent housing, we need to examine closely which of our options will bring the best housing opportunities from available resources.

One such option is to continue our strong emphasis on multi-family rental housing which can take advantage of tax exempt bonds and rapid depreciation write-offs. When combined with a co-operative form of ownership, we have our best chance to create more affordable housing. To make this possible we should support efforts to make the Minnesota Housing Finance Agency or some other appropriate institution eligible to serve as a general partner which can syndicate the depreciation benefits.

Another opportunity to leverage desired results in housing will come in the next phase of the Minneapolis-St. Paul Family Housing Fund. It will assist in creating alternative housing for mature families in the neighborhoods and then work with those families to sell their present homes to younger families.

One last example of leveraging: The outstanding work of the City Hall-Courthouse Committee headed by Linda Mack has paved the way for significant retrieval of some of the former grandeur of our City Hall. Working with the Building Commission and with the architect, they have created a new concept plan for City Hall which will take advantage of routine remodeling to move us in the direction of a highly functional, restored City Hall. We will try to combine public and private resources to restore the old City Hall Chamber and Court Room No. 1 along with the entrance on Fourth Street. Perhaps the most exciting idea of all is to capture the inner courtyard for public use by covering it with a glass roof. This would create an important new public space highly suitable for many public activities.

I note with approval that the concept also looks forward to the day when the county jail can be removed, probably to a new city-county public safety building. Another exciting concept is the open plaza across Fourth Street. This is the plaza the planners had in mind when our City Hall was built at the turn of the century.

Conclusion

In the proposals I have outlined, I have placed heavy emphasis on the problems created by current unemployment. Much of the distress in this City is not easily seen nor felt by many of us who continue to be relatively untouched by the severe recession we are experiencing. For this reason I felt compelled to emphasize the need for remedial action, most of which must come from the state. If the state fails us, or falls short, we may be forced to re-examine our own City priorities in order that basic human needs do not go unmet.

We are looking forward to a surge of new growth in the central business district which will push the current employment levels of about 105,000 to about 135,000 by the end of this decade.

But even as we look forward to this job growth we must work to assure that inner City residents have a fair opportunity to apply for these jobs. The newly created Minneapolis Community Business Employment Alliance must lead the way. Charged with the strategic planning for manpower in our area, it must help us as a community to be sure we are doing everything we can to create economic opportunity for all in our City.

The "first source" policy recently established by the Minneapolis Community Development Agency will help the City to meet its goal of linking City-aided development to improved job opportunities for inner-City residents.

But census reports on the past decade offer more disquieting news about our City. Overall the City has kept pace in resident income with the growth in the consumer price index. But the more affluent neighborhoods moved smartly ahead of that index, while the less affluent neighborhoods fell significantly behind.

This underscores the need to focus on jobs for our citizens. Without jobs every public policy to address income disparities becomes at best a patch, whether it be housing subsidies, food stamps, welfare, or general assistance. Some of our folks will always need that kind of help. But thousands more need a job. They need the self-respect, the confidence, the sense of self-worth that comes with earning one's own way. And as a City we need this as well to improve our capacity as an organized community to take care of our problems.

Thus the emphasis today is on jobs, job creation, and working with those who are out of work. If there is any community in the United States which can find a way out of these problems, it has to be the City of Minneapolis. We are blessed with an enlightened private sector, with an open and responsive government, and with a vigorous citizenry, all of which have helped to make our City one of the most livable in America.

Whether it be targeting, networking, leveraging, or just plain hard work, I am convinced that our City can move ahead to show the way for the rest of the nation. But we shall succeed only as we move forward together with the kind of cooperative spirit which has made our City one of the best cities in America, and the place where we want to live.

ADDENDUM

ACCOMPLISHMENTS OF THE CITY, PARK BOARD AND LIBRARY BOARD IN
MINNEAPOLIS DURING 1982Accomplishments in Government Management

- Implemented results-oriented management system based on performance objectives
- Expanded Civil Service certification beyond the rule of 3 when needed to achieve affirmative action goals
- Realigned the City Coordinator's Office
- Survived 3 successive cuts in state aid
- Completed and began implementing the work of the Task Force on Streamlining the Development Process
- Initiated development of a Five-Year Plan for Management Information Systems
- Developed a Pay for Performance plan
- Initiated performance appraisal systems in all departments for Grades VIII and above
- Improved relations with the Civil Service Commission
- Held quarterly meetings of elected officials and department heads to look at City's future (called "advances" instead of "retreats")
- Began an experimental car leasing program
- Conducted first industrial development bond sale under the Common Bond Reserve Fund
- Reduced City work force by 59 FTEs (full-time workers)
- Continued to strengthen cooperative ties with St. Paul
- Improved contract compliance administration significantly
- Maintained mill levy at 1981 rate of 34,858 mills
- Developed and implemented a School Site Disposition Process, working in cooperation with the Board of Education
- Maintained the City's AAA Bond Rating
- Improved Civil Service lay-off rule for certain classifications of city employees
- Hired additional women and minorities into the Police Department
- Reorganized the Minneapolis Community Development Agency (MCDA)
- Initiated quality circles for Park Board staff

- Developed new accounting system and achieved first complete annual budget for the MCDA
- Voted final approval of the City's "Plan for the '80s"
- Redesigned Park Board's committee structure for increased efficiency
- Installed a computerized maintenance system to improve preventative maintenance of the library system
- Established a Citywide Committee to study policies relating to our urban infrastructure
- Completed installation of an automated construction permit issuance system

Accomplishments in Improving Public Services

- Completed and implemented emergency phone number "911"
- Completed Towing Study and implemented creation of City impound lot and improved coordination of tagging, towing and plowing services
- Created Office of Citizen Participation and Communication
- Established a Jobs Development Office in MCDA
- Developed plan for renovation of the City Hall-Courthouse
- Supported establishment of emergency shelters
- Developed "First Source" policy at MCDA to link city-aided development with jobs for inner-city residents.
- Tripled number of citations for hazardous driving violations from 13,000 in 1980 to 39,000 in 1982
- Served over 5,000 households with Neighborhood Energy Workshops
- Provided over 1,100 homeowners with below-market-rate financing for energy improvements in partnership with Minnegasco
- Formed the Minneapolis Community-Business Employment Alliance (MCBEA) to provide strategic planning for manpower policies
- Began implementation of recommendations of Minneapolis Employment Strategy Task Force
- Began a City-wide community crime prevention program
- Assigned civilians rather than police to control traffic
- Operated a \$1 million emergency jobs program with the McKnight Foundation that created job opportunities for 331 people
- Maintained necessary City services in a time of severe financial constraints

- Contained within one block and extinguished the nation's largest dollar loss fire at Northwestern National Bank/Donaldson's with City fire, police and reserve personnel
- Completed action on innovative franchises for Minneapolis cable TV system
- Created a community-wide summer youth employment program
- Banned the sale of drug paraphernalia
- Passed an ordinance permitting renters to accomplish needed repairs and deduct from rent
- Developed a program to reduce accidents at dangerous intersections
- Conducted model food distribution program
- Secured adoption to sensitive aircraft noise guidelines
- Piloted a solid waste recycling program to reduce trash and disposal
- Centralized the information desk and inter-library loan functions in the library system
- Acquired the collection of Mid American Solar Energy Center (MASEC) Library (9,000 documents) with outside resources
- Opened Elliot Park Recreation Center, a handicapped accessible facility
- Continued to hold Dutch Elm disease in check
- Completed final cycle for reforestation of the City
- Resolved the roller skater-bike safety conflict at Chain of Lakes by adopting a one-way system
- Initiated a day-camp program through Park Board for preschoolers which enhances the City's goal of maintaining young families
- Upgraded the already successful handicapped and senior citizen recreation
- Completed the year with a New Year Gala announcing the 1983 Centennial year of the Park Board with a public-private partnership sponsoring the event

Accomplishments through Capital Improvements

- Opened the Hubert H. Humphrey Metrodome
- Broke ground for:
 - American Indian Development Corporation on Franklin Avenue
 - Symphony Place
 - Riverplace
 - 1221 Nicollet office-condominiums
 - Phase 2 of Loring Green
 - Augustana Apartments for the Elderly...and other development projects

- Completed bond sale for Calhoun Square
- Processed construction of 1,609 housing units, the highest number since 1972
- Received UDAGs for Centre Village, West Broadway and the Radisson Hotel
- Obtained congressional approval for \$30 million to fund two parking ramps in the North Loop area
- Approved plans for housing and a hotel in the Seven Corners area
- Approved the Nokomis Homes Project
- Completed a design and development plan for the Mills District
- Completed the Chicago-Lake Redevelopment Plan
- Remodeled one police precinct and started another
- Approved \$6.3 million in housing development revenue bonds for the Energy Rehabilitation Loan Program
- Began a study of new commercial development along Nicollet Mall from 8th to 12th Streets
- Began study of the Hospitality Industry in Minneapolis
- Implemented Phase 2 of the comprehensive modernization program in public housing
- Began implementation of the Multi-Family Housing Fund
- Began implementation of the Neighborhood Economic Development Fund
- Continued the Urban Indian Housing Program
- Began renovation and construction of new housing at Madison School site
- Completed the Centre Village parking ramp
- Initiated a number of major land purchases as part of the Mississippi Regional Park
- Approved the neighborhood center at Kenwood Park
- Initiated a joint effort with the Junior League for the restoration of Stevens House
- Paved 17 miles of oiled dirt residential streets
- Separated six miles of sanitary sewers and storm drains and extended storm drain tunnels .3 miles
- Constructed two new bridges over Milwaukee RR at Blaisdell and at 2nd Av. S.

- Reconstructed 1.5 miles of arterial streets
- Initiated a study of LRT (light rail transit) alternatives in the University Avenue and Southwest corridors
- Completed plan for Hiawatha Corridor
- Secured Interstate Substitution Funds to prepare plans for the construction of Broadway and Hennepin Av. bridges, the Hennepin/Stinson project and University transitway
- Completed the survey of buildings and districts for the Heritage Preservation Commission
- Completed 26th and Nicollet Pedestrianway improvements
- Received delivery of first aerial platform fire rig
- Opened a new Fire Station #6
- Began construction of 5 W parking ramp with space for bus layover
- Completed acceptable design for Hennepin Avenue Entertainment District
- Opened six skyways in the Gateway area

Senator QUAYLE. Thank you very much, Mayor Fraser. Mayor Moses?

Mayor MOSES. Thank you, Senator Quayle, and Senator Dodd. On behalf of the Conference of Mayors, I too would like to express my appreciation for the opportunity here to address you on a topic that is timely particularly for Indiana, where Dan and I come from. As we are aware, we are having particular difficulties.

Rather than go through the entire statement that I have prepared, which I am sure would take far longer than you would like, let me just paraphrase a few of the perspectives that we have both in the Conference of Mayors and, in some measure, as the mayor of a mid-sized Midwestern city.

Unemployment, as we are fully aware, nationwide is now at 11 million. In our city of Fort Wayne, Ind., that level is now 12 percent, and the worst is yet to come. As some of you may be aware, this upcoming summer we will lose nearly 2,000 additional jobs when International Harvester, one of our most troubled national businesses, shuts down its aging truck assembly plant in Fort Wayne and consolidates in another location.

That closing will send tremors through our local economy, and undoubtedly increase the unemployment we have already experienced. Yet, our mid-sized community remains as really only a microcosm of the Nation as a whole.

Just as old industries are fading out, new, applied higher-technology industries face, frankly, a shortage of workers, and that shortfall inhibits expansion and job creation in our community and elsewhere.

Just as Mayor Fraser has talked about Minneapolis and, in some smaller part, St. Paul, I think it is important that you appreciate how we in the Midwest, in Indiana, are approaching it. We look at it in a two-fold perspective, and I think that blends well with what the Conference of Mayors is saying about your bill and the bill that is in front of you now.

We need economic development to create new jobs—we must have it—coupled with immediate assistance for the thousands of unemployed individuals who cannot wait for that development to produce results. This philosophy should be implemented at the national level, and the bill we address today, I think, is an excellent starting point to do exactly that.

Let me discuss very briefly what American cities would like to see, in general, and then I will address the specific provisions of the Employment Opportunities Act. First, to restore the American economy, two things must happen. We must establish an aggressive, well-financed economic development program throughout this Nation, creating permanent private sector jobs as the only long-term solution to unemployment.

To this end, we must allocate every possible dollar at the local, State and Federal levels to make investing in America more profitable than anyplace else in this world. But in helping private business, we must carefully focus our dollars to create jobs that will last in the new world economy.

We can no longer pretend to be economically independent. We can no longer dominate the marketplace in every line of goods and services. We will continue to get our share, and a good share, in steel and transportation and agriculture, and other areas. But we will always face stiff competition in the old industrial markets from other less-developed nations.

Therefore, rather than spending billions to reconstruct old industries which brought prosperity to the past, we must concentrate on the newer technologies which will insure prosperity in our future. We must invest in American workers to see them through this economic transition, and that, in small measure, is what your bill is talking about, and provide them with the skills that they need to meet the employment needs of our changing industrial base, and we must understand that change.

It brings me to the second point. Creating permanent jobs takes time. The unemployed workers of America cannot afford to wait for economic development to take effect. We need immediate, but temporary employment and training programs to ease the burden of the unemployed right now. But if we are going to spend Federal dollars to create jobs, let us not waste it.

In the past, public service jobs traditionally meant additional secretaries and perhaps more street sweepers, and when the funding ran out, perhaps the typing went undone and the streets went uncleaned and the typists and the street cleaners were again unemployed.

This time, as we approach public jobs, let us try to find those that lead directly to private jobs. We must put people back to work building things that are important in our communities—industrial parks and things that make private development less expensive and more productive.

We must put people back to work fixing up those bridges and highways so that American products can be delivered more quickly and efficiently. We must put people back in the classrooms, learning new job skills to fill the tremendous employment gaps which stand side by side with record unemployment.

The bottom line is this: We must spend public dollars on jobs and training that will create private jobs a few years down the road. Anything less is really a waste of our time and money.

Now, within this context, the U.S. Conference of Mayors has carefully analyzed the Quayle-Hatch Employment Opportunities Act, and we welcome this bill. It is an honest attempt to address the immediate needs of the unemployed. We consider this bill an excellent starting point on the road to short-term economic recovery.

As for specific programs in the act, we recommend the following: One, that title II provisions for dislocated workers are precisely on target to meet the training needs of the unemployed. This provision should be hastily enacted. They are by far the most important and probably the most valuable portions of this legislation.

Title I projects provide a useful beginning to much-needed discussions on public infrastructure improvements. However, we believe that to be effective in creating permanent jobs, this scale of investment must be tied to specific public works projects rather than wholesale public employment. These funds should be allocated in the form of grants for specific improvements that will lead directly to permanent private sector jobs.

Title III provisions for a voucher system to encourage employment of jobless Americans is a novel, but important approach which merits additional study. The U.S. Conference of Mayors is concerned that vouchered workers may simply displace others seeking employment, and that the employees might not be retained once the vouchers run out.

Finally, title IV provisions to direct Federal procurement to labor-surplus areas represents an excellent means of balancing Federal investment among the various cities and States who suffer most in this economic recession.

So, on balance, we feel that this is a good starting point. The bill has received a great deal of important thought and thorough thought, and it is certainly something that the U.S. Conference of Mayors considers quite seriously and is appreciative of the opportunity to be able to speak before you and discuss.

[The prepared statement of Mayor Moses follows:]



UNITED STATES CONFERENCE OF MAYORS

1620 EYE STREET, NORTHWEST

WASHINGTON, D.C. 20006

TELEPHONE: (202) 293-7330

TESTIMONY OF

THE HONORABLE WINFIELD MOSES
MAYOR, FORT WAYNE

on behalf of

THE U.S. CONFERENCE OF MAYORS

before the

SENATE COMMITTEE ON LABOR AND HUMAN RESOURCES
SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY

FEBRUARY 22, 1983

Mr. Chairman and Members of the Subcommittee on Employment and Productivity, on behalf of the United States Conference of Mayors, thank-you for this opportunity today to express our very deep concern for the 11 million people that are currently out of work in this country and for the millions more who could eventually lose their jobs as a result of continuing economic fluctuations and dramatically changing labor market needs. We are also pleased that these hearings are based on real proposals for alleviating unemployment. Today's problems reflect a technological upheaval that has not been equaled since the Industrial Revolution.

The federal government has played a principle role in every major economic or technological transition that this nation has faced. It was the federal government that established land grant colleges to meet the educational needs of a changing labor force. It was the federal and the local governments that built the highway and railway systems to meet the demands of an expanding nation. It was the federal government that provided the emergency jobs programs during the Depression to keep people going until the economy regained its strength. Since the Depression the federal government has provided financial assistance packages to help floundering companies and to stimulate the creation of new businesses. And, finally, federally legislated tax incentives have been utilized to stimulate business growth and expansion.

This nation is currently experiencing economic and technological changes that bring hardship on millions of people while simultaneously creating entirely new career opportunities. It is an ironic sign of the times that millions of people are unemployed at the same time that certain skill shortages inhibit economic growth. This irony presents a dramatic challenge to the nation to insure that the transition to the new technology is accomplished with a minimum of damage to those that suddenly find their job skills outdated. The transition must be handled comprehensively, utilizing four basic approaches. The first approach is to meet the immediate employment needs of those Americans who are out of work and are unable to find it. Unemployment has become a financial and moral drain on our nation. Jobs -- even federally subsidized jobs -- are preferable to unemployment checks or welfare payments, both of which drain the economy and demoralize the recipients. Substantial job creation programs alleviate unemployment problems and signify a positive step to alleviate an immediate problem.

No one could even pretend to believe that the federal government could put 11 million people back to work. However, even a small number of jobs -- such as 300,000 -- 500,000 -- would symbolize that the immediate problem of unemployment is being confronted. Further, that number of subsidized jobs would stimulate additional unsubsidized jobs as the workers became bill paying members of society.

Contrary to public opinion, CETA's public service employment program did what it was designed to do. Considering the programmatic and fiscal changes, it worked quite well. The problem was not inherent in the PSE program but, instead, was the result of the fact that nothing was done to change the underlying economic problems that created the unemployment which brought about the creation of the jobs program in the first place. Certainly, no one

wants to make the same mistake again. For that reason, the Conference of Mayors hopes that no job creation projects will be implemented unless they are tied in with the remaining three approaches to easing the pain of transition to the new technology.

The second of the four approaches is to retrain the American labor force. Millions of workers are now in jobs or have been laid off from jobs which will soon disappear. Millions of youths have no skills at all and must be provided with training that is relevant to what will be rather than to what has been. For that reason, all levels of government must assess current education and skill training programs, in light of projected labor market needs and take the steps that will be necessary to insure that Americans have the skills they will need for tomorrow's jobs. This will require not only an overhaul of curricula but a major investment in training equipment and supplies.

The third approach is to provide American business with the fiscal help it needs to adjust to the rapid changes that are occurring. Many existing industries are in need of a retooling. Others are on the verge of extinction and must be completely overhauled or replaced. This will take billions of dollars, generated either by direct assistance in the form of low interest loans or by other fiscal incentives designed to stimulate private sector research and development.

The fourth approach is to address the problem of the nation's deteriorating infrastructure. Newspapers and magazines have documented the plight of America's cities and the nation's highways and bridges quite well. State and local taxes are insufficient for these governments to solve the problem on their own. Tax limitations have been exacerbated, of course, by the reductions in revenues that are created by high unemployment. For this reason the federal government should provide assistance to state and local governments to rebuild the infrastructure. It is not only a problem of deteriorating life styles but a serious impediment to business growth and development.

The Conference of Mayors is well aware that these hearings today are not intended to confront all of these issues that we have raised. However, we feel that programs that are designed to meet one or more of the problems that our economy faces will succeed only to the extent that they are part of a comprehensive plan that addresses all of these problems simultaneously. Our comments on the proposals before us today are conditioned by that basic premise.

The Conference of Mayors is grateful to Senators Quayle and Hatch for opening the dialogue on job creation by introducing the "Employment Opportunities Act of 1983"; to Senator Kennedy for introducing the "Emergency Jobs, Training and Family Assistance Act"; to Senator Cranston and Congressman Hawkins for introducing the "Community Renewal Employment Act"; and to the other Senators and Representatives that have either supported these measures or have introduced their own legislation.

For purposes of discussion, we have focused on the "Employment Opportunities Act of 1983". This bill was one of the first job creation bills to be introduced in this session of Congress. While we are concerned that the

proposals embodied in this bill may not create many new jobs, we support you in your attempts to do so. Moreover, we believe that the strength in the bill lies in the provisions to retrain workers.

Title I authorizes \$2 billion to be spent on labor intensive federal programs that are already in existence. Such programs must have expected outlays in FY83 of \$100 million before this new money can be added. Further, the new money cannot amount to more than 10% of the existing program's expected outlays for FY83. The Conference of Mayors does not challenge these provisions and understands the reasons for their inclusion. However, we fear that programs of that size will do little more than extend jobs that were scheduled for termination and will result in very little job creation. However, Title I seems to be an excellent approach for continuing valuable programs that the Congress has established as necessary and useful. We are not opposed to the idea so long as it is not viewed as the major job creation effort to be developed by the Congress.

Title III authorizes the use of unemployment benefits funded from federal general revenues as a way to stimulate employment. In this proposal individuals will be able to give 75% of their maximum unemployment benefits to employers who hire them. This should be a valuable sales tool for people who are receiving these federal benefits and should give them an edge over people who do not receive them. However, experience with such incentives, such as the Targeted Jobs Tax Credit, has demonstrated that the potential for creation of new jobs as the result of such programs is relatively small. It is also doubtful that the federal subsidy will free enough of the employer's private money to stimulate research and development that could ultimately lead to new jobs. Such an approach might be useful if it were tied with other financial incentives, such as low interest loans and tax breaks, that in combination could free substantial sums of private money for research, development and job creation.

Title II is perhaps the strongest proposal in the bill and is aimed directly at the second approach described above: the retraining of the American labor force. We applaud the provision of additional funds for the Dislocated Workers Program in the "Job Training Partnership Act". The President's budget proposal estimates that only \$6 million will be spent on dislocated workers in FY83 under JTPA. However, the Conference of Mayors feels that the states could spend much more if they were pressured to do so. There is already an administrative structure in place, through existing prime sponsors and PICs, and that structure is being replaced by the JTPA service delivery system. There is no need for the state to establish new structures. They can begin programs quickly. While the transition from CETA to JTPA might create certain administrative headaches, the problems that dislocated workers face are too serious to wait for the new system to be established.

The Conference is also pleased with the other provisions that provide assistance to dislocated workers to obtain new skills. The provision to allow a person to continue to receive unemployment benefits while in training is an excellent approach. However, it might be useful to stipulate that such training must be for skills that are considered to be highly marketable in the future.

The "Employment Opportunities Act of 1983" is a positive step toward confronting the nation's unemployment problems. While, in the view of the Conference of Mayors, its value as a mechanism for creating jobs is limited, the bill does address the need for retraining dislocated workers. The Conference therefore hopes that the Senate will expedite adoption of the portions of the bill that deal with the dislocated workers.

In recommending quick adoption of the dislocated worker provisions, the Conference is not rejecting the other proposals in the bill. Those other provisions should be closely examined to see if they could be included in a more comprehensive package of remedies. For instance, as stated previously, Title III could be used as part of a package designed to provide the necessary financial assistance that American business needs in order to retool. The proposal in Title I of Senator Kennedy's "Emergency Jobs, Training and Family Assistance Act" to put \$3.5 billion into Community Development Block Grants would fit well in such an approach and would also help to rebuild the nation's infrastructure.

As another example, there is a need for substantive job creation. Immediate employment needs must be met. At the same time there is a need for infrastructure maintenance and repair. Title I of the Act could be useful as part of a large package designed to create jobs while repairing the infrastructure. Many of the labor intensive programs currently operating, such as projects to construct or repair federal hospital facilities, could be used to address the infrastructure problem. Other such programs, such as federally funded child care centers, could be used to provide support services to dislocated workers that are seeking new skills. Moreover, the Conference of Mayors believes very strongly that such a package must also include direct job creation, as is provided in the "Community Renewal Employment Act" submitted by Congressman Gus Hawkins in the House and Senator Alan Cranston in the Senate.

Senator Kennedy's bill includes a youth employment and education program, to be added to the "Job Training Partnership Act". The Conference of Mayors strongly supports efforts to alleviate the problem of youth unemployment and is grateful that there is an education component in the bill that helps prepare young people for the skill training they will ultimately need. However, the youth program is structured in a way that is contrary to the purpose and intent of the "Job Training Partnership Act" in that it requires application for funds to be made by the Private Industry Council. Under JTPA the local chief elected official and the PIC jointly decide who will be the grant recipient, administrative entity and service providers. We urge that Senator Kennedy's youth program follow the same format.

The Conference of Mayors hopes that the "Employment Opportunities Act" will be utilized to stimulate the dialogue that has begun with regard to job creation. We also urge that all discussions of job creation be developed in the context of the four-pronged approach that we outlined at the beginning of this testimony. Perhaps the most positive aspect of the bill that we are discussing is that, to the extent that was possible in the confines of a single Senate subcommittee, the authors have developed proposals that at least addresses all four approaches. We hope that this comprehensive theme is picked up by other committees in the House and Senate so that a large scale, multi-faceted program can be developed which recognizes the need to attack these problems on as many fronts as possible.

Senator QUAYLE. Thank you very much, gentlemen. Let me focus in once again on the kinds of jobs that we should provide in the short term. I think as both of you recognize and it has been said, hopefully we will see an economic recovery. It is going to take longer, I believe, than most people have anticipated.

Now, there is a difference between jobs available in public works projects and those available in public service projects. I wonder if we might be able to define what kind of jobs, salary limitations, and the kind of emphasis generally that we should be directing ourselves to.

Should we move toward the more highly-skilled construction industry, which is the administration's proposal? Or should we emphasize the labor-intensive programs with salary of about \$15,000? The Kennedy proposal is more along the lines of the community development block grant with much discretion given to the local officials.

I wonder if you might amplify on how we ought to be focusing a jobs-creation proposal in the short term.

Mayor MOSES. Well, let me address first the mutuality of the approaches between Mayor Fraser and myself. For instance, when we talk about job creation, he has had a very useful program in his park system; that is important.

We in the city of Fort Wayne, for instance, had almost an entire physical development, civilians and such, from WPA workers, and it has served us quite well for 50 years. We have gotten our money's worth out of it. It was recently judged the finest park system in the Nation for cities under half a million in size, a fact of which we are very proud.

Certainly, improvement in those areas is important in economic development. It is a quality of life feature that must be considered as important as we go through. I think when we talk about public works or public service employment, there certainly is some difference, but our approach is basically to take those people who are out of work now and put them into an opportunity to be able to earn a meaningful wage at this time, and hopefully have some skill when they have completed that to enter the private sector.

Senator QUAYLE. Mayor Fraser, if I recall properly, for a lot of the jobs Cleveland our program, the wages were about the minimum wage or a little bit above.

Mayor FRASER. That is right.

Senator QUAYLE. Let me be specific. In our proposal, we put a cap, trying to keep it down to \$15,000 per job. Is that a reasonable proposal, and should we keep it that way? Should we try to be more flexible?

Of course, you could divide that up so that each job last 6 months, if you wanted to, or 3 months. But we are trying to get more bang out of the buck.

Mayor FRASER. Mr. Chairman, I think that is the question that the Committee has to answer first. What is it you are trying to do? If it is to reach the most people with some kind of help in terms of income, then the traditional public works approach is a very expensive way to go.

Now, I happen to be for public works and for building infrastructure and, you know, depending on where one is at, that may be a

useful step to take. It will not address the problem of most of the people who are out of work today and who need help.

That is why I was attempting to establish the proposition that what I would call a kind of a work relief program ought to have the highest priority today, particularly given the levels of funding that you have under consideration.

The contrast is the approach of the AFL-CIO, which I think has a lot of merit. That involves, however, the expenditure, I think, over the 2 years of \$66 billion, or a rather large sum of money. I think if you are prepared to spend that kind of money, the public works approach—and they have that and the public service employment as well—makes sense, because you will reach quite a few people.

But if you are talking between \$3 and, I hope, \$10 billion, public works is very expensive and you are just going to reach a handful of people. So that, I think, is what you have to answer first. You have to figure out what it is you want to do, and once you have settled on what you want to do in terms of people you are going to help, then it seems to me you can design the program to reach the most and get the biggest bang for your buck.

But that is why I am not entranced with the prevailing wage requirement. I am sure I step on toes when I say that, but I just think things are bad enough for some folks out there that they have to get some help; they are in real trouble. So, I think the minimum wage ought to be the bottom, and you could let local communities go up to \$5 dollars an hour or to a prevailing wage as a cap.

But I would give them discretion and let them figure out how to maximize the impact of the money. There is a lot of ingenuity in local government today; they have been administering employment programs now for quite some time.

Now, in the League of Cities, we do endorse the public works approach as one way of putting people back to work, but for a given amount of money, that is really going to cut you short, I think.

Senator QUAYLE. If you take the assumption that we are trying to create jobs on an emergency basis—not make-work jobs, but meaningful jobs that lead to private sector employment to deal with the high rate of unemployment—are we not basically talking about public service employment and not public works?

With public works, Mayor Fraser, the job does not come on line for quite some time. Whether it is the engineering reports or the design reports or environmental impact statements, et cetera, it takes time to rebuild the infrastructure.

If we are really looking at the next 12-month period, enacting jobs legislation within 60 days or 90 days, are we not really talking about public service employment, without saying that public works projects are not good?

I think some of us question how much we really can speed up public works. Even though some of the funding may be brought forward in fiscal year 1983 and in fiscal year 1984 there are certain projects for which we cannot do that.

Do we not really need some sort of public service employment and in what I identify as the labor-intensive programs?

Mayor FRASER. Well, Mr. Chairman, if you set the requirement that the jobs be quickly created and that most of the money be spent out within a year, you are absolutely right. Public works will not fit into that time frame, apart from any other question that one might raise about it. It simply will not work.

Now, I do not want to overstate that. Last summer, we used some of our foundation money to put new sidewalks in around some of our parks where the sidewalks were badly deteriorated. We used these long-term unemployed to do the work. The city came up with the money for the cement, which turned out to be roughly half the cost, and we got a very good job done.

The supervisors, who were union people, were very enthusiastic about the workers they got. So, in a sense, that is a form of public works, but it is a very simple one that can be put into effect right away.

Senator QUAYLE. What was the average wage you were paying those people?

Mayor FRASER. Four and a quarter.

Senator QUAYLE. Pardon me?

Mayor FRASER. \$4.25.

Senator QUAYLE. \$4.25, which is well under the \$15,000 mark that we would be using.

Mayor FRASER. Quite a ways under, about half.

Senator QUAYLE. Yes, about half. I have one final question, I believe that the administration is going to be much more openminded about job creation.

As a matter of fact, they have come forth with a public works proposal, which is a form of public service; I mean, it is public jobs. In addition, the President has said, or at least his advisers have said, that not all public service employment is make-work jobs or leaf-raking jobs.

I wonder if you might give us a little bit of cautionary advice on how we can stay away from the problems that the CETA public service employment had—the nepotism, the inefficiency, the bad image that was certainly created. If you label any program as CETA public service or make-work jobs, that stigma stays, it starts off on a bad foot and that label will hinder its success.

I wonder if there are any corrective measures you might want to suggest to us.

Mayor FRASER. Mr. Chairman, I do not want to argue strongly for this, but I think at least in our case, the 6-month concept tends to prevent what happened in many cities, which was they, in effect, started financing their regular municipal payroll with public service moneys. It became another form of revenue sharing.

So, I think limiting the term of the employment, particularly now when there is such a desperate need and when there has to be a sharing of opportunity—I would rather have two people get a shot, each with 6-month jobs, than one person for a full year, since we cannot reach all of them anyway. I would rather share more widely.

I think the reason we phased out of public service employment, and I think it is true of many cities, was the joint requirement of, I think for us, a \$10,000 cap and a requirement for prevailing wage.

I know the wage issue is a sticky subject, but I think that for what I am talking about, which is to help people now who are desperate, I would keep a fairly low cap on wages, and that will prevent, I think in many ways, the substitution of regular municipal workers by these kinds of workers. So, those would be two.

A third would be the way it is administered. I think under the new act, the further involvement of the Private Industry Council may help assure that the jobs are administered more objectively and that you do not get nepotism, or at least hopefully not as much.

Senator QUAYLE. Do you mean having the PIC perhaps conducting oversight on how this is being administered?

Mayor FRASER. I do not want to say that I am now an expert on how that is going to be administered, but the PIC and the local governing body have to agree on the plan.

Senator QUAYLE. Yes, but they are not involved in public service employment.

Mayor FRASER. I understand, but what I am suggesting is, in introducing that idea, I think the private sector has to be drawn very closely into this temporary work. For one thing, if one gets to a sizable program, you are going to have to go to the private sector as the work center.

I personally would be prepared to fully subsidize an employer who would agree to take an employee on for 6 months and supervise them and evaluate them, without any repayment requirement, because the purpose, as I see it, is to give people work to do and put money in their pockets.

The fact that it helps the Sears, Roebuck or Honeywell or Control Data or our local retail stores really is not a matter of great consequence as far as I am concerned. We have a very enlightened and cooperative private sector, and I think if we ask them to sit down and come up with a plan to put 2,000 people to work on 6-month temporary jobs and they would have to provide the supervision, and so on, they would work out a program that would work. This would be good work experience for the people involved.

Now, I do not happen to think that city government or our non-profit agencies can handle a large number. I mean, after a certain point, we have got as many as we can adequately deal with. So, I think we need to bring the private sector in very closely to this kind of an effort.

Senator QUAYLE. Senator Dodd?

Senator DODD. Thank you, Mr. Chairman. Let me join in welcoming our two witnesses. I am particularly delighted to see Don Fraser, with whom I had the pleasure of serving in the House a century or so ago, it seems. Don, welcome to the Senate in your capacity as the mayor of one of our fine cities.

I think both of you were sitting in the room when I raised the questions with our previous witnesses about the community development block grant program. Don, you addressed it, in part, anyway in your testimony, and I agree with you about the need for flexibility. Obviously, that is a key element. We have seen the travesties that have occurred when there has been an absence of flexibility.

Obviously, for someone sitting on this side of the table as well, there is always the concern that there is not such a degree of flexibility that the major thrust and purpose of these programs be lost.

I wonder if you might both address the community development block grant approach. As I mentioned earlier, it was something that I had included last December, posing an alternative that we debated not at great length, but rather intensely on the floor.

I wonder if you might comment on how effective the community development block grant program has been. How would you distinguish it from CETA? Is it a worthwhile formula? What changes would you make in it if we were to utilize something like it as the mechanism for a limited jobs program?

I agree with you, Don; we are not dealing with the 11 million or more Americans who are out of work with this bill. No one is suggesting that. I regret that to some degree, but we are trying at least to deal with a part of the problem anyway.

But how about that formula? What has been your experience with it? From the Conference of Mayors' standpoint, what would be their position with regard to utilizing that kind of a formula as a way of making this program retain the flexibility that our cities would like, while at the same time giving the Congress a sense of having at least some broad, peripheral control over how these dollars are going to be used?

Mayor FRASER. Senator Dodd, I did hear what I thought was a very thoughtful exchange on that point earlier. I think the CDBG formula for allocating community development funds is a good formula. I personally cannot at the moment tell you how it compares to the manpower allocation of funds; I am not prepared to describe that.

But I do know that the community development block grant funds do go to areas which, generally speaking, today are experiencing significant unemployment. I think there is an approximate fit right at the outset, so I would be supportive of that.

Now, whether one would want to build into that any further variation because of the very high unemployment in some particular areas of the country—cities with steel mills that are down or auto plants in the northern part of our State—there may be an argument to add on a factor for those kinds of problems.

Senator DODD. We did do that, by the way, for that very reason.

Mayor FRASER. I think so, yes.

Senator DODD. A straight formula was a bit of a problem, so we modified it in a very slight way to meet that.

Mayor MOSES. Senator Dodd, the mayor from Fort Wayne and the Conference of Mayors, I think, have reacted generally very favorably to community development block grant moneys; that they have positive results that can be pointed to.

In regard to your question, I as a mayor would support that rather strongly. I say that because we as a municipality have chosen to take exactly that direction. We have set aside a small portion of funds, and you can imagine, with tight city budgets, how small that can be. But we have designated the areas that the block grant moneys are used in to be special support. And we are going to hire 200 youngsters out of there with property tax dollars, really, for special employment throughout this summer on a short-

term basis, similar to what Mayor Fraser has done with the aid that he received from the special grant, purposefully because, as you point out, that does approximate the greatest need with the geography in a municipality.

There is a lot of common sense and reason in that approach, and it certainly is already taking effect in some cities, I want you to know.

Senator DODD. The chairman raised the question that many people raise here in Congress. What kind of projects are we talking about? Are we talking about projects or programs here that are longer term in nature? Is there a significant backlog of projects under the CDBG program that could be started up within a month, 2 months, or 3 months?

Or are we talking about projects under CDBG that are more heavy construction in orientation? I think we might benefit from some examples. I think we are getting lost a little bit as to whether or not there is an inventory of work there that could be started up rather quickly, where this politically acceptable formula that has proven successful could be applied.

Mayor MOSES. Do you want some examples?

Senator DODD. Yes.

Mayor MOSES. Exactly what we have done is say to the neighborhood associations, and we have strong association groups in Fort Wayne, "Tell us what you think is most important that these youngsters can be doing." They are drawing up an agenda right now, but there are a number of quite quick types of activities that are important; for instance, weatherization.

A number of these kids are quite good at putting insulation in and at weather stripping around doors and doing all kinds of housing projects. We have said to them, "Tell us some of your most important concerns." Well, crime is one of them and, believe it or not, in a coordinated sense the crime watch program works underneath our block grant and people can be involved in that, and can coordinate it and can teach people, for instance, how to put bolts and locks on their doors themselves and how to watch out for the neighbors and how to do all kinds of things like that.

We have developed an adopt-a-lot program. Every central city has a similar problem with a lot of torn-down homes and vacant lots, and some people want to put gardens on them and some people just want them to be cleaned up. However that is done, it is important in the long-range real estate value sense and in the community development sense. We have already put those programs into work.

We can go down a long list of these types of rather quick but very important activities that can be done with block grant moneys, in addition to, of course, the sidewalks and street lights and curbs and street resurfacings and some of the more major housing projects.

We feel that in this measure, the 200 youngsters that will be involved in this summer's activities will serve a very worthwhile purpose for the community, as well as, of course, dealing with a significant unemployment problem.

Senator DODD. These are all projects that have been identified by the communities as being worthwhile?

Mayor MOSES. That is correct, and I say that not by a mayor or not by a city council; it is, in fact, by the citizens of these neighborhoods that are telling us what they think is most important to improve the long-term quality of life in their localities.

Senator DODD. You know, it might be helpful for the committee if you might request from a cross-section of cities the kind of backlog that exists, and maybe categorize some of those, because I hear this question all the time. Obviously, it is more meaningful if it comes from the communities themselves as identifiable areas, rather than, with all due respect, from the mayor.

Mayor MOSES. I can certainly send you Fort Wayne's, and I will talk with the Conference of Mayors and see if they have such information.

Senator DODD. Yes, Don?

Mayor FRASER. Senator Dodd, I just wanted to add the thought that it is not necessarily a question of backlog. It is sometimes enlarging the services provided. For example, in asking our manpower people where they would put 1,000 people to work, they identified 200 positions with our community development agency.

One of the things we need, for example, in our senior citizen high-rises is we simply need walls cleaned. The seniors cannot do some of that work for themselves, and we are short on maintenance funds.

On the park board, 350 positions—we have been struck with Dutch elm disease. Some of the workers last summer hired under these temporary programs planted trees. The park board was delighted with the help they got.

The library board, 40 positions; nonprofit agencies in the community, 225; the school board, 100 positions; and various city departments, 300 positions—this is just a first cut, and I could give you job descriptions. Last summer, we had 1,500 young people working as clerical aides, custodial/janitorial, kitchen helpers, security guards, drivers, escorts, and so on.

So, sometimes it is simply augmenting services that have had to be cut back because our local budgets have gotten tighter and tighter due to the recession.

Senator DODD. The criticism has been made, and I think with a tremendous degree of legitimacy, that among women who are heads of households that unemployment percentage is higher than the national average. It runs somewhere between 11.5 and 12 percent.

One of the criticisms has been, obviously, that in heavy construction particularly, as well as in some of these other areas, we are not going to be reaching that particular group of unemployed workers in our society.

I wonder if you both might comment on the legitimacy of that criticism and whether or not, in the programs that you have just identified, that problem is somewhat negated.

Mayor FRASER. Well, Senator Dodd, it depends a little bit on how this program is structured. In the programs we ran using foundation funds, we said that the workers had to be ineligible for other public help. That meant that a female head of household was probably not going to be applying because the chances are that she was on welfare, and thus would not have been entitled to apply. We

were looking for people who had totally dropped through the safety net.

So, it depends a little bit on how you set the requirements for the program. But I would agree that if you stay in just the heavy construction industry, you are going to exclude them, just as a matter of reality. But beyond that, then, I think it depends on your program requirements.

Senator DODD. I might ask you, Don, to take a look at the drafts we have, and if you have any suggestions on how we might approach that particular problem, it would be worthwhile.

Mayor FRASER. But I would put that welfare issue very much at the top. If you are going to say that a person on welfare is eligible to apply for one of the jobs you create, then I think you get a lot more women applying. If you say no, then you will not because those women particularly in need are those who have children and who do not have much money.

Senator DODD. Did you want to add anything to that?

Mayor MOSES. No, only to emphasize what Don has said that it is a difficult segment to target programs to, and you have to be very careful in your deliberations here that you give flexibility to the municipalities or the responsible agencies to try to target to achieve the goals of helping those women.

I think it is doable, but it is going to take probably special efforts on every locality's part to be successful.

Mayor FRASER. Senator, just one last thought. I hope that whatever is done this year to address the acute problem may lead to the long-term restoration of some kind of employment opportunities that we can work with at the local level to address the problem of the structurally unemployed.

Even when prosperity returns to America, we are going to be left with a significant number of structurally unemployed, and if we had some kind of jobs program that was designed in a way not to be liable to abuse and that the public would accept, it would be enormously helpful to us in our efforts to address the problems of the structurally unemployed.

It would give us an opportunity to put those people into a kind of work experience where, if they demonstrate they can get to work on time and turn in 8 hours of work a day, they then become prime candidates for entry-level jobs in participating companies who are willing to work with us. We have got a lot of companies willing to do this, but it turns out that they want some assurance that the body we deliver to their door is going to report to work on time.

Senator DODD. Yes; I could not agree with you more. In fact, before you arrived our first witness raised the question of the structurally unemployed and a job training program for them. We are so success-oriented in terms of our programs, we love data that show immediate successes.

When you deal with structurally unemployed people who have never held jobs for any length of time, we are getting, in some cases, to the second and third generation now of that particular problem. Things that we totally take for granted and assume would be the case are just not the case.

In the programs that have been successful in many cases, the numbers are not significant. There are an awful lot of failures asso-

ciated with them, but an unwillingness to accept some failure as we try and work out meaningful, worthwhile programs that will really deal with the structurally unemployed, I think is just to paint over a growing disease in our society. If we do not begin to address it soon, it is going to become virtually impossible to deal with in the coming two decades.

Let me ask just one other point, if I can. Senator Kennedy's bill that he has introduced, in addition to the job training and youth employment and other considerations, dealing directly with joblessness, also addresses the basic human needs of shelter and housing and health care.

He has suggested that some \$600 million for such services be included. That deals specifically, as we all know, with the homeless Americans. I wonder if you both might comment on the magnitude of the effects of joblessness and whether or not you think it would be worthwhile in the context of a jobs bill to try to include some modest funding to provide for those basic human needs for those who, for whatever reason, are not even going to be able to take advantage of what we may provide here.

How serious is it, and would it make some sense to include that in this kind of legislation?

Mayor MOSES. Well, certainly, the problem is acute in almost all Midwestern municipalities and many others with high unemployment levels. I cannot address how appropriate it is to include that in this particular bill in front of you.

In Fort Wayne, it is dramatic. Our soup kitchens are now greatly expanded. I honestly never thought in my lifetime that I would see such things in a rather prosperous town over the last three generations, but they are there. We certainly, as a community, are forced to address them and are doing that through a determined effort by our social agencies, with modest success.

I think it is clear, and I am sure the Conference of Mayors feels the same way, that it is a national problem that must be faced. It will not go away, and the level of unemployment determines in great part the level of anguish that we are all experiencing.

But you would have to decide the legitimacy of putting that in this particular bill or in Senator Kennedy's.

Mayor FRASER. Senator, if I could just add, we are managing that problem all right at the moment. The biggest problem we are facing is burn-out on the part of volunteers. Almost all of our shelters are built around church congregations and using church basements.

Frankly, they are just getting worn out; you know, they have to stay overnight. This is not always the most delightful constituency to work with, so that is the problem. They see this as a public responsibility.

Now, whether the funding that is proposed in Senator Kennedy's bill would be adequate so that it could be taken over as totally a public activity, I am unable to say, but that is the kind of problem we are facing. We are dealing with the problem, as I guess you are in Fort Wayne, but the folks are really complaining bitterly—those who are volunteering a lot of hours to make it work.

Senator DODD. Well, again, I have taken an awful lot of time. I appreciate it, Mr. Chairman. I want to commend both of you for

your testimony and for your offers of help and your suggestions you have made here this morning. It was extremely worthwhile. I thank both of you and I thank you, Mr. Chairman.

Senator QUAYLE. Thank you, Senator Dodd. I just wanted to put one statistic in the record concerning the community development block grant. I was looking at the formula allocation for my home State, and we get about 1.9 percent under the present allocation formula. Yet, the unemployment percentage of Indiana is 2.9, so there is quite a gap if we use this just as a direct formula for going to some places of high unemployment.

Mayor Moses. The point is well taken, Senator.

Senator QUAYLE. So, before we get going too far along with the Conference of Mayors' point of view, we ought to at least look at Indiana and probably some other States that have high unemployment but receive a low percentage of funds under this program.

Senator DODD. Well, we did.

Senator QUAYLE. You have an amendment.

Senator DODD. The first State I looked at was Indiana, and the suggestion and recommendation that we adopted last year as part of that proposal was to make unemployment a major factor in the CDBG program, which it had not been under the straight formula application of it. Obviously, you have got to do that.

When we did that, Indiana improved substantially. In fact, it reflects the tremendously high unemployment you had. So, we did modify in that legislation specifically for that reason.

Senator QUAYLE. Well, I believe that in any kind of formula or program, whether it is accelerating labor-intensive programs or going through some existing formula we have got to give consideration to concentrating the new moneys into high-employment areas.

Senator DODD. Absolutely.

Senator QUAYLE. It is a very important factor, and I only note where the State of Indiana stands in this current formula.

Gentlemen, thank you very much, and we will be working with you.

The next witnesses from the American Federation of Labor and Congress of Industrial Organizations are Mr. Roberts and Mr. McGlotten. Gentlemen, welcome back.

STATEMENT OF ROBERT MCGLOTTEN, ASSOCIATE DIRECTOR, DEPARTMENT OF LEGISLATION, AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS, ACCOMPANIED BY MARKLEY ROBERTS, ECONOMIST

Mr. MCGLOTTEN. Thank you very much, Mr. Chairman.

Senator QUAYLE. We appreciate seeing you again, and go ahead and proceed at will.

Mr. MCGLOTTEN. OK. Mr. Chairman, I am delighted to be here today. My name is Robert McGlotten. I am the associate director of the department of legislation. Accompanying me is Markley Roberts, an economist from our research department.

Mr. Chairman, I am going to summarize my statement. I ask that the entire text be inserted into the record. Mr. Chairman, I appreciate the opportunity to present the views of the AFL-CIO on

job-creation proposals before this subcommittee, and to present an AFL-CIO program for job-creation.

The AFL-CIO is calling for a program of \$22 billion in fiscal 1983 and \$46 billion in fiscal 1984 to reverse the current recession and depression, to create jobs, to ease the suffering of the unemployed and the needy, and to get the U.S. economy on the path to full employment.

Jobs are America's No. 1 priority—jobs for the unemployed and jobs for new workers coming into the work force. Millions of jobs are needed to get the Nation back on track to healthy economic growth and full employment. America cannot tolerate the cruelly high unemployment rates as projected through 1988 by the Reagan administration. Projections by the Congressional Budget Office are even worse. Each 1 percent of unemployment represents more than 1.1 million persons.

For the next 4 years, unemployment will continue to average over 8 percent, a level reached in only 1 recession year in the previous 40 years prior to 1982. It will take until 1987 or 1988 for unemployment to return to the level of 1981, and the 1979 level of 5.8 percent is not foreseen in this decade.

When the private sector cannot provide enough jobs, the Federal Government steps in. This is the mandate of the Employment Act of 1946, reaffirmed in 1978 by the Humphrey-Hawkins Full Employment and Balanced Economic Growth Act.

A large-scale, adequately funded, antirecession job-creation program put into action last year would have very significantly reduced unemployment and reduced the severity of the recession, and also significantly reduced the long-term Federal budget deficit.

Each 1 percent of unemployment costs the Federal Treasury \$30 billion. If unemployment were cut in half, the Federal deficit would be cut by more than two-thirds.

We are sympathetic to the general intent of your bill, Mr. Chairman, S. 242, and S. 493, as introduced by Senator Kennedy, which would provide support for emergency, labor-intensive, antirecession job-creation programs, training, and other aid for dislocated and long-term unemployed workers.

Thus, we see the proposals in S. 242 for labor-intensive programs for retraining dislocated workers and for targeting Federal procurement into high unemployment areas as efforts aimed in the right direction. However, we consider the \$2 billion title I labor-intensive program and the \$100 million title II dislocated workers' program as far too small in relationship to the dimension of the problems at which they are aimed.

We disagree with the approach, however, Mr. Chairman, which is embodied in title III of S. 242, which authorizes employment vouchers for long-term unemployed workers eligible for extended benefits to be taken to potential employers as a wage subsidy. This proposal will not create jobs.

Notwithstanding language in the bill aimed at preventing displacement, we believe this approach will simply encourage employers to layoff their current workers and substitute workers who bring voucher wage subsidies. Furthermore, taking the funds for the voucher wage subsidies from unemployment insurance funds would be a raid on an already thin-stretched and depleted resource.

We see, in S. 493, the \$7.3 billion emergency jobs training and family assistance proposal as a bigger and more comprehensive program which focuses on the needs of the unskilled women and minorities. It is closer to the AFL-CIO's program to which I now turn.

The AFL-CIO calls on the Congress to enact jobs programs, alleviate the suffering of the unemployed, and stimulate the economy. Specifically, Mr. Chairman, we propose community development jobs programs to put long-term unemployed workers on local payrolls to perform needed services: accelerated public works, such as sewers, highways, bridges, mass transit, railroads, and other needed facilities; home construction and rehabilitation aid to create jobs and help low- and moderate-income families; encourage low- and moderate-income home mortgage relief and rental assistance for jobless workers; youth training, job corps extension, new youth conservation corps, and other employment and training programs.

Dislocated workers hit by plant closings and major layoffs need help to get back to regular jobs. Unemployment compensation benefits should be extended to protect the long-term jobless, and health care for the unemployed. These proposals, Mr. Chairman, add up to \$22.5 billion in fiscal 1983 and \$46 billion in 1984.

This is the kind of program the AFL-CIO is proposing to reverse the current recession/depression, to create jobs to protect the unemployed and needy, and to get the nation back on the track to full employment.

The AFL-CIO is prepared to work with this committee to come up with the kind of proposals that will at least address some part of our problem. My colleague and I are prepared to respond to any questions you may have, Mr. Chairman.

[The prepared statement of Mr. McGlotten follows:]

STATEMENT BY ROBERT MCGLOTTEN, ASSOCIATE DIRECTOR, DEPARTMENT OF LEGISLATION,
AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS,
TO THE SENATE SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY
ON S.242, S.493, AND RELATED JOB CREATION PROPOSALS

February 22, 1983

Mr. Chairman, I appreciate this opportunity to present the views of the AFL-CIO on job creation proposals before this Subcommittee and to present an AFL-CIO program for job creation.

The AFL-CIO is calling for a program of \$22 billion in fiscal 1983 and \$46 billion in fiscal 1984 to reverse the current recession-depression, to create jobs, to ease the suffering of the unemployed and the needy, and to get the U.S. economy on the path to full employment.

Jobs are America's number one priority -- jobs for the unemployed and jobs for new workers coming into the labor force. Millions of jobs are needed to get the nation back on track to healthy economic growth and full employment.

Unemployment has increased by 3.6 million since July 1981. Now there are 11.4 million American workers officially jobless, another 1.8 million discouraged in the search for work who have dropped out of the labor force, and 6.8 million part-time workers who want full-time work and full-time earnings. Moreover, some 1.5 million workers will be entering the labor force each year over the next five years. Almost half the labor force is suffering through this current recession-depression with lost jobs or reduced worktime and earnings and lost opportunities.

There is no prospect for significant improvement in the job picture this year or even next year, according to the Reagan Administration's own forecast or that of the Congressional Budget Office. Even after five years unemployment will be higher than it was in 1979. The AFL-CIO calls for reversal of the misguided and discredited economic and social policies of the Reagan Administration.

America cannot tolerate the cruelly high unemployment rates projected through 1988 by the Reagan Administration. Projections by the Congressional Budget Office are even worse. Each one percent of unemployment represents more than 1.1 million people.

	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>
Adm.	5.8	7.2	7.6	9.7	10.7	9.9	8.9	8.1	7.3	6.5
CBO	5.8	7.2	7.6	9.7	10.6	9.8	9.0	8.4	8.0	7.5

(1979-1982 actual as percent of civilian labor force; 1983-1988 projected by Administration as percent of total labor force including armed forces stationed in the U.S.A., by CBO as percent of civilian labor force.)

For the next four years, unemployment will continue to average over 8 percent -- a level reached in only one recession year in the previous forty years prior to 1982. It will take until 1987 or 1988 for unemployment to return to the level of 1981 and the 1979 level of 5.8 percent is not foreseen in this decade.

When the private sector cannot provide enough jobs, the federal government must step in. This is the mandate of the Employment Act of 1946, re-affirmed in 1978 by the Humphrey-Hawkins Full Employment and Balanced Economic Growth Act.

It is clearly in the economic and social interest of the nation to put Americans who are able and willing to work into productive jobs which generate taxes, produce useful community services and community facilities, and stimulate the economy in communities with high unemployment.

A large-scale, adequately funded, anti-recession job creation program put into action last year would have very significantly reduced unemployment and reduced the severity of the recession and also significantly reduced the long-term federal budget deficit. Each one percent of unemployment costs the federal treasury \$30 billion.

Last year the President projected a federal budget deficit of \$91 billion for fiscal 1983 and he told the nation that a jobs program would be too costly. Now the Reagan Administration is telling us the 1983 deficit will be \$208 billion and the argument given is that the recession and unemployment are responsible for this big deficit. If unemployment were cut in half, the federal deficit would be cut by more than two-thirds.

It is time to get on with restoration and revival of this nation's economic health. It is time to get on with a large-scale, anti-recession job-creation program to put America back to work.

We are sympathetic to the general intent of S.242 and S.493 which would provide support for emergency labor-intensive anti-recession job-creation programs, training and other aid for dislocated and long-term unemployed workers.

Thus, we see the proposals in S.242 for labor-intensive programs, for retraining dislocated workers, and for targeting federal procurement into high unemployment areas as efforts aimed in the right direction. However, we consider the \$2 billion Title I labor-intensive programs and the \$100 million Title II dislocated worker program as far too small in relation to the dimensions of the problems at which they are aimed.

We disagree with the approach taken in Title III of S.242 which authorizes employment vouchers for long-term unemployed workers eligible for extended unemployment benefits to take to potential employers as a wage subsidy. This proposal will not create jobs. Notwithstanding language in the bill aimed at preventing displacement, we believe this approach will simply encourage employers to lay off their current workers and substitute workers who bring voucher wage subsidies. Furthermore, taking the funds for the vouchers wage subsidies from unemployment insurance funds would be a raid on an already thin-stretched and depleted resource.

We see in S.493, the \$7.3 billion emergency jobs, training, and family assistance proposal a bigger and more comprehensive program. It is closer to the AFL-CIO program to which I now turn.

AFL-CIO Program

The AFL-CIO calls on Congress to enact jobs programs, alleviate the suffering of the unemployed, and stimulate the economy. Specific action needed includes:

- * Community development jobs program to put long-term unemployed workers on local payrolls to perform needed services -- \$5 billion in fiscal 1983 and \$10 billion in fiscal 1984.

- * Accelerated public works such as sewers, highways, bridges, mass transit, railroad, and other needed facilities -- \$5 billion in fiscal 1983 and \$10 billion in fiscal 1984.

- * Housing construction and rehabilitation aid to create jobs, and help low and moderate income families and

- * Encourage low and moderate income housing, home mortgage relief and rental assistance for jobless workers -- \$5 billion in fiscal 1983, \$10 billion in fiscal 1984.

- * Youth training, Job Corps expansion, new youth conservation corps, other employment and training programs -- \$1.5 billion in fiscal 1983 and \$3 billion in fiscal 1984.

- * Dislocated workers hit by plant closings and major layoffs need help to get back to regular jobs -- \$1 billion in fiscal 1983 and \$2 billion in fiscal 1984.

- * Unemployment insurance benefits must be extended to protect the long-term jobless -- \$3 billion in fiscal 1983 and \$6 billion in fiscal 1984.

- * Health care for the unemployed -- \$3 billion in fiscal 1983 and \$5 billion in fiscal 1984.

These proposals add up to \$22.5 billion in fiscal 1983 and \$46 billion in fiscal 1984 to create jobs, to stimulate the economy, and to ease human suffering.

This is the kind of program the AFL-CIO is proposing to reverse the current recession-depression, to create jobs, to protect the unemployed and the needy, and to get the nation back on track to full employment.

AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATION
SUPPLEMENTARY STATEMENT TO THE SENATE SUBCOMMITTEE
ON EMPLOYMENT AND PRODUCTIVITY

February 22, 1983

The AFL-CIO program for job creation includes community development supplemental jobs, accelerated public works, and a recovery for the housing industry. In addition, special action is needed for dislocated, minority and young workers, and all workers in all categories who require added protections during this time of disaster for the job market in America. Millions of jobless workers need extended unemployment compensation and emergency action to restore lost health care protection for themselves and their families.

JOB PROGRAMS

Community Development Supplemental Jobs -- We propose a large-scale community development jobs program with 100 percent federal funding for jobs directly on the regular, local government payrolls. Unlike previous public sector jobs programs, specifically the CETA program, these jobs would not be in a separate category. Measures would be included to prevent substitution.

In every community, there is work to be done that is vital to that community's economic health and public well-being but which has been neglected. Because of declining tax revenues, federal budget cuts and local government fiscal crises, many of these communities need help to repair, maintain, and rehabilitate essential public facilities and public services.

For this purpose, we urge a supplemental appropriation of \$5 billion for fiscal year 1983 and an appropriation of \$10 billion for fiscal year 1984.

Accelerated Public Works -- Investment in accelerated public works can provide jobs and essential infrastructure underpinning for private sector investment and economic growth. The Surface Transportation Assistance Act of 1982 is only a start in the right direction. For years this nation has lived off its public capital instead of replenishing it. We have shortchanged investments in public facilities related to health, education, energy, safety, solid waste removal, water supply, parks, highways, bridges, ports, railroads and urban mass transit. The result is a huge backlog of unmet public capital needs and a major impediment to growth and a return to the nation's full productive potential. The crucial role of public capital formation is too often ignored. Such public investment plays a key role in raising the nation's productivity and output. Experience in the 1960s and 1970s -- particularly in the 1975 recession -- demonstrates that accelerated public works can provide jobs quickly and economically while restoring economic growth.

For such a program, we urge a supplemental appropriation of \$5 billion in fiscal year 1983 and an appropriation of \$10 billion in fiscal year 1984.

Housing Construction and Rehabilitation -- In past recessions, housing was revitalized through such programs as below-market interest rate subsidies and rental assistance for low-income households. But the depth and length of this recession has seriously worsened the underlying problems of housing inadequacy and affordability. A program which provided support for the construction of 250,000 new housing units a year -- about the level of assisted housing starts in the 1970s -- could make a significant contribution to closing the housing gap. In addition, Congress should enact legislation to provide home mortgage relief and rental assistance for jobless workers.

For these programs, we urge a supplemental appropriation of \$5 billion in fiscal year 1983 and an appropriation of \$10 billion in fiscal year 1984.

Youth Programs -- Two million American teenagers are unemployed -- including half of all black teenagers in the workforce, and one of every four teenagers overall. Youth employment and training needs are too often shortchanged in programs aimed at older workers. Expansion of the successful Job Corps, establishment of a new youth conservation corps, and other employment and training projects are needed to alleviate the special problems of jobless youth.

The AFL-CIO remains adamantly opposed to subminimum wages for workers of any race, sex or age. A long history of studies and pilot programs have reached the same conclusion as then Secretary of Labor George Schultz did in 1970: there is no evidence of any appreciable increase in jobs because of a subminimum wage.

For the youth program, we urge a supplemental appropriation of \$1.5 billion in fiscal year 1983 and an appropriation of \$3 billion in fiscal year 1984.

Dislocated Workers -- Supplemental funds should be allocated to the new Job Training Partnership Act's program to help workers hit by plant closings and major layoffs. These workers need a variety of pre-layoff assistance and services, as well as training, to help them move back into regular jobs.

For this purpose, we urge a supplemental appropriation of \$1 billion in fiscal year 1983 and an appropriation of \$2 billion in fiscal year 1984.

Unemployment Insurance -- To replace the present supplemental benefits program expiring March 31, 1983, Congress should enact a permanent program of supplemental unemployment insurance, funded by general revenues, with a maximum duration of not less than 65 weeks. The 6.27 million jobless workers now on unemployment compensation are the most in the history of a system dating to 1935. Still, only half of the 12 million officially unemployed are getting any unemployment benefits.

Since July 1981, more than five million workers have exhausted their regular UI benefits and another one million long-term jobless workers have lost their extended benefits. Of the 900,000 unemployed workers getting federal supplemental benefits, 135,000 have already exhausted or will soon exhaust these benefits. The remaining 765,000 will run out of benefits in the coming weeks. The drastic cutbacks in the extended UI benefit program means that these extended UI benefits are available only in about half of these states despite catastrophic unemployment levels.

To meet the urgent needs of long-term jobless workers, we urge a supplemental appropriation of \$2 billion in fiscal year 1983 and an appropriation of \$6 billion in fiscal year 1984.

Health Care for the Unemployed -- Since health insurance coverage is usually tied to the workplace, Labor Department statistics indicate 50 percent of laid-off workers lose health care protection immediately or one month after layoff. Only 20 percent get coverage for three months or more. Since the average duration of unemployment is a little over four months, most jobless workers can expect to be completely without health insurance protection. At the same time, most unemployed workers are denied Medicaid coverage because they have not been poor long enough to meet the state eligibility criteria.

We urge the necessary authorizing legislation and a supplemental appropriation of \$3 billion in fiscal year 1983 and \$5 billion in fiscal 1984 to assure health insurance coverage and health services for unemployed workers and their families.

In summary, we are calling for supplemental appropriations of \$22.5 billion in fiscal year 1983 and an appropriation of \$46 billion in fiscal year 1984 to create jobs, to stimulate the economy and to ease human suffering and hardship.

The AFL-CIO Jobs and Stimulus Program

	<u>Supplement to</u>	<u>Fiscal Year</u>	<u>Direct Jobs</u>	
	<u>Fiscal Year 1983</u>	<u>1984</u>	<u>(thousands)</u>	
	<u>(Billions \$)</u>	<u>(Billions \$)</u>	<u>1983</u>	<u>1984</u>
Community Development	\$ 5	\$10	420	835
Supplemental Jobs				
Youth Programs	1.5	3	215	430
Displaced Worker	1	2	---	---
Program				
Housing	5	10	75	180
Accelerated Public	5	10	170	340
Works				
Extended Unemployment	2	6	---	---
Insurance				
Health Care for the	3	5	---	---
Unemployed				
Total	\$22.5	\$46	880	1,785

(To be included in the record.)

Unemployment Insurance Under State Laws, Jan. 1, 1982¹

Jurisdiction	Average Weekly Benefit Paid for Total Unemployment 1980 ²	Maximum Weekly Benefits ³	Average Weekly Wages in Covered Employment 1980 ⁴	Basic Maximum Weekly Benefit as a Percentage of Average Weekly Wages		Regular Duration of Benefits by Weeks ⁵	Percentage of Claimants Who Exhausted Benefits 1981 ⁶	Average Employer Tax Rate, 1981 ⁷ (Estimated)	
				1980 ⁸	1939			Percent- age of Taxable Payrolls 1981 ⁹ Estimated	Percent- age of Total Payrolls 1981 ⁹ Estimated
United States	\$99 P		\$272				33%	2.4%	1.0%
Alabama	77	\$ 90	241	31%	87%	11-26	28	1.8	1.0
Alaska	85	150-222	450	20	41	16-26	25	3.3	2.1
Arizona	83	95	262	34	61	12-26	27	1.6	0.6
Arkansas	89	136	222	66 ^a	95	10-26	30	2.4	1.3
California	86	136	293	41	50	12-26	34	2.6	1.0
Colorado	111	176	276	50 ^a	62	7-26	35	0.8	0.4
Connecticut	104	146-196	275	60 ^a	56	26	15	2.2	0.8
Delaware	108	150	292	63 ^a	58	16-26	22	3.0	0.9
District of Columbia	122	206	315	66 ^a	59	17-34	41	2.6	1.0
Florida	74	125	240	40	81	10-26	38	1.1	0.5
Georgia	79	115	244	37	87	4-26	31	1.4	0.7
Hawaii	106	169	249	66 ^a	85	26	25	1.6	1.1
Idaho	97	145	242	60 ^a	82	10-26	31	1.9	1.3
Illinois	115	148-198	299	50 ^a	56	26	46	3.3	1.3
Indiana	85	84-141	275	27	58	9-26	40	1.7	0.7
Iowa	117	146-176	251	58 ^a	67	15-26	31	2.4	1.3
Kansas	106	149	249	60 ^a	66	10-26	29	2.1	1.0
Kentucky	101	140	254	55 ^a	69	15-26	37	3.2	1.4
Louisiana	109	183	274	54	90	12-28	33	2.0	1.0
Maine	86	115-173	220	52 ^a	74	7-26	27	3.1	1.5
Maryland	92	140	258	41	65	26	26	2.8	1.0
Massachusetts	97	156-234	263	57 ^a	57	9-30	27	3.3	1.5
Michigan	102	182	323	30	53	13-26	45	4.0	1.7
Minnesota	118	177	266	66 ^a	62	11-26	39	1.9	0.9
Mississippi	69	90	214	42 ^a	97	12-26	26	2.1	1.0
Missouri	88	105	261	40	61	10-26	37	1.6	0.6
Montana	98	145	241	50 ^a	60	8-26	38	2.9	1.6
Nebraska	94	106	231	46	66	17-26	37	1.7	0.7
Nevada	100	136	270	50 ^a	57	11-26	26	2.4	1.4
New Hampshire	85	132	232	49	70	26	7	1.3	0.6
New Jersey	101	145	288	50 ^a	55	15-26	38	3.4	1.6
New Mexico	83	130	246	50 ^a	73	16-26	33	1.8	1.0
New York	94 P	125	300	42	51	26	34	3.2	1.2
North Carolina	87	152	228	66 ^a	89	13-26	20	1.7	0.9
North Dakota	106	156	232	67 ^a	69	12-26	39	2.6	1.5
Ohio	125	147-233	286	54	54	20-26	36	2.8	1.1
Oklahoma	100	176	264	62 ^a	61	20-26	36	0.9	0.4
Oregon	99	158	272	55 ^a	53	8-26	24	3.0	1.8
Pennsylvania	116	190-198	274	66 ^a	60	26-30	23	3.6	1.5
Puerto Rico	51	84	158	50 ^a	—	20	60	3.0	3.0
Rhode Island	89	143-163	237	60 ^a	70	12-26	36	4.2	2.3
South Carolina	82	118	226	65 ^a	99	10-26	29	2.1	1.1
South Dakota	97	129	208	62 ^a	69	18-26	21	1.7	0.9
Tennessee	78	110	238	42	78	12-26	32	2.4	0.9
Texas	86	147	277	38	65	9-26	40	0.6	0.2
Utah	106	166	255	65 ^a	70	10-36	31	1.7	1.2
Vermont	90	135	225	60 ^a	66	26	22	3.2	1.5
Virginia	96	138	241	51	74	12-26	33	1.9	0.8
Washington	110	163	298	55 ^a	57	16-30	24	3.0	1.7
West Virginia	106	194	276	70 ^a	59	28	23	2.8	1.1
Wisconsin	117	179	262	66 ^a	65	7-34	27	2.6	1.1
Wyoming	108	185	298	55 ^a	78	12-26	23	0.9	0.4

¹ Calendar Year—latest data available.² Where two figures are shown, the larger includes maximum dependents' allowances.³ Includes benefit legislation enacted in 1980 with an effective date in 1981.⁴ Where two figures are shown, the lower represents the shortest possible duration. In most States this is the entitlement of a claimant with minimum weekly benefits and minimum qualifying wages.⁵ Maximum weekly benefit is determined as a specified percentage of average weekly covered wages and is computed annually, or in a few States, semi-annually. The base year used for setting the maximum is not necessarily calendar 1981. This explains why the percentage figures in the fifth column may vary slightly from the statutory percentages.⁶ Preliminary.

AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS

815 14th STREET, N.W., WASHINGTON, D.C. 20006

EAME KIRKLAND
President

Publication No. 36-Y

THOMAS R. DONAHUE
Secretary-Treasurer

TABLE 5.—WEEKLY STATE UNEMPLOYMENT COMPENSATION BENEFITS FOR TOTAL UNEMPLOYMENT IN 1982

State	Weekly benefit amount ¹		Required total earnings in base year ²		Minimum work in base year (weeks) ³	Average weekly benefit
	Minimum	Maximum	For minimum weekly benefit	For maximum weekly benefit		
Alabama.....	\$15	\$90	\$522	\$3,204	2Q	75
Alaska.....	34-58	150-222	1,000	15,500	2Q	118
Arizona.....	25	95	938	3,544	2Q	85
Arkansas.....	31	136	930	4,080	2Q	88
California.....	30	136	1,100	4,641		89
Colorado.....	25	176	750	18,201		116
Connecticut.....	15-22	146-196	600	5,840	2Q	104
Delaware.....	20	150	720	5,400		103
District of Columbia.....	13-14	206	450	7,071	2Q	128
Florida.....	10	125	400	4,960	2Q	78
Georgia.....	27	115	413	4,275	2Q	77
Hawaii.....	5	169	150	5,070	2Q	109
Idaho.....	36	145	1,138	4,680	2Q	97
Illinois.....	45	148-198	3,829	4,214	2Q	130
Indiana.....	40	84-141	1,500	2,413	2Q	89
Iowa.....	17-18	146-176	600	4,168	2Q	120
Kansas.....	37	149	1,110	4,470	2Q	109
Kentucky.....	22	140	1,000	4,412	2Q	100
Louisiana.....	10	183	300	5,490		114
Maine.....	20-25	115-173	1,322	2,519	2Q	85
Maryland.....	25-28	140	900	5,040	2Q	97
Massachusetts.....	12-18	156-234	1,200	4,030		100
Michigan.....	41-44	182	*1,318	*5,850	2Q	115
Minnesota.....	30	177	750	6,345	2Q	122
Mississippi.....	10	90	360	3,240	2Q	72
Missouri.....	14	105	450	3,150	2Q	87
Montana.....	36	145	1,000	5,780	2Q	101
Nebraska.....	12	106	600	2,750	2Q	92
Nevada.....	16	136	562	5,063	2Q	103
New Hampshire.....	26	132	1,700	16,500	2Q	81
New Jersey.....	20	145	600	4,340	2Q	103
New Mexico.....	26	130	813	4,193	2Q	87
New York.....	25	125	800	4,980	2Q	91
North Carolina.....	15	152	1,368	5,909	2Q	85
North Dakota.....	42	156	1,680	6,240	2Q	112
Ohio.....	10	147-233	400	5,840	2Q	124
Oklahoma.....	16	176	1,000	6,563	2Q	106
Oregon.....	41	158	1,000	12,600	2Q	103
Pennsylvania.....	35-40	190-198	1,320	7,520	2Q	116
Rhode Island.....	35-40	143-163	1,240	5,163	2Q	93
South Carolina.....	10	118	300	4,563	2Q	82
South Dakota.....	28	129	1,568	7,198	2Q	102
Tennessee.....	20	110	720	3,960	2Q	80
Texas.....	21	147	750	5,475	2Q	94
Utah.....	10	166	700	4,290	2Q	110
Virgin Islands.....	15	115	396	3,450	2Q	68
Vermont.....	18	135	700	5,380	2Q	90
Virginia.....	44	138	2,200	6,901	2Q	94
Washington.....	45	163	1,113	4,062		112
West Virginia.....	18	194	1,150	18,200	2Q	106
Wisconsin.....	34	179	990	5,340	2Q	119
Wyoming.....	24	165	958	6,560	2Q	116
Puerto Rico.....	7	84	280	3,360	2Q	55

¹ A range of amounts is shown for those States which provide dependents allowances.² In some States larger total earnings may be required in order for the benefits to be paid for the maximum number of weeks.³ Number of weeks of work in base year required to qualify for minimum benefits. "2Q" denotes that State directly or indirectly requires work in at least 2 quarters of the base year. States without an entry have the minimum work requirement specified as a wage amount.⁴ Effective March 31, 1981, through March 31, 1983, Michigan's weekly benefit amount is 70 percent of an individual's average weekly after-tax wage up to 58 percent of the State's average weekly wage. The qualifying wage is 20 times the State minimum hourly wage for 18 weeks. Figures shown were calculated by assuming that the after-tax wage is 80 percent of the pre-tax wage $((41 \times 18) / (0.7 \times 0.8) = 1,318$, and $(182 \times 18) / (0.7 \times 0.8) = 5,850$).

Source: Department of Labor.

Senator QUAYLE. Thank you very much, Mr. McGlotten. I wonder if you might answer the question I have been asking this morning. Given the fact that you are looking at somewhere around \$4 billion as a level that will be acceptable to the administration, at least that is the level that the O'Neill-Reagan proposal goes for initially—and perhaps it may be the only jobs-creation proposal for aiding the short-term unemployment problem to come out of this Congress. There is going to be a phase 2, but that is going to deal with the long term problem of the structurally unemployed, dislocated workers, who need training and retraining, and that will not necessarily include jobs-creation legislation.

Given that level of funding about \$4 billion, what kinds of jobs should we provide? Should they be in the area of public works, or should they be in public service? Given those parameters which I know you do not accept and which you want to go beyond, but just given that as a basis, what kind of jobs should we provide?

Mr. MCGLOTTEN. Mr. Chairman, clearly, we think that the public service area is an area that needs to be addressed. When everyone talks about public service in the Congress, this whole business arrives about make work and leaf raking—that kind of description is not really pertinent to the issue.

There is a tremendous amount of communities today, because of their eroding tax base, who are not able to provide public services, much needed public services. Just this morning, the district is now talking about closing some community health centers. Certainly, in that particular area there could be some people employed there. There are a variety of other areas in which individuals could be employed.

I think both mayors previously had talked about the whole question of community services for senior citizens' homes and for doing a variety of other things relative to soup kitchens. These are all public services that could be provided.

In addition to that, you spread the jobs across the breadth of the individuals who are unemployed in terms of those who are unskilled, those who are skilled, and those who are semiskilled. In that way, you bridge the need for public services on the one hand, but at the same time you spread the jobs across all occupational lines, which gives every individual an opportunity to perform in those particular occupations.

Senator QUAYLE. So, you would like a combination of both, then, would you not?

Mr. MCGLOTTEN. That is correct.

Senator QUAYLE. You would not focus on the lower-paid, lower-skilled, last-hired-first-fired type of individual?

Mr. MCGLOTTEN. It is not so much the question of lower-skilled or lower-paid. I think that the Congress has to be in a position, sir, to really demonstrate to the public that it is coming forward with a jobs program that it can defend. It seems to me that you can defend a jobs program that is providing needed public services.

I think the CETA program did that, but unfortunately the money was going out too fast, and you had a number of mayors who did not know exactly what kinds of programs they could engage in. That is not the same kind of situation we are involved in right now.

Right now, there are a variety of communities which are not performing needed public services. What I am saying is that these public services basically are lesser skill than those that would be at the top, because normally in terms of any kind of downturn, what a community will try to do is eliminate those services which are the least, should I say affordable to them.

So, as a result, I think that if the Congress moves in that direction, I can get a piece of legislation that you can defend and the public can see that it is providing some services to the community.

Senator QUAYLE. One other question. In your statement, you opposed our reemployment voucher in S. 242. The administration has a tax credit proposal dealing with the unemployed rather than a voucher.

Would you favor the tax credit as an incentive to hire the unemployed, or would you oppose that, also?

Mr. MCGLOTTEN. We oppose that, also.

Mr. ROBERTS. Mr. Chairman, the evidence on tax credits seems to be adding up to a very negative picture. We have a factsheet on that and I will be glad to submit that for the record. But I think all the studies that have been done, starting with a Library of Congress study and a number of academic studies, have come to the conclusion that those tax credits are accomplishing little or nothing at all; that they are very expensive and they achieve very little or nothing at all.

We oppose them on that account. We also oppose them as unwarranted and unjustified subsidies, often for employers who are hiring anyway and get the tax credit. A decision is made on getting the tax credit after the decision has been made on hiring.

Senator QUAYLE. Do you think that the same substitution problem that you outlined in the voucher system would be applicable to the tax credit? Do you believe, in fact, that they might just lay off current employees to hire people who have vouchers?

Mr. ROBERTS. Yes.

Senator QUAYLE. Do you think there ought to be anything done with unemployment compensation to provide an incentive to the employer to hire the recipient or to give the recipient an incentive to seek education and training, or should we just leave it as it is?

Mr. ROBERTS. Well, I think, Mr. Chairman, you did include in your bill a very desirable provision, which is authorizing unemployed people drawing unemployment insurance benefits to take training simultaneously. I think that was a very, very important step forward, and I hope that continues and prevails because that is an opportunity which is denied in some States—not all, but some States.

But, in general, our concern is that the sanctity and purity of the unemployment insurance trust funds might be endangered by trying to load on the trust fund moneys responsibilities and functions which were not originally envisioned. I think, whether it is training or subsidies to be carried to employers, there is a danger that you would put a responsibility on the trust fund which would eventually, if used either for a short period of time or a long period of time, raise further questions about some of the funds which are even now not solvent.

Senator QUAYLE. Well, we are not trying to add more financial responsibilities to unemployment insurance or to Federal supplemental compensation, because there are enough there right now.

We are trying to make the system more flexible. Instead of just saying that the only thing you may do is draw unemployment compensation benefits, we are saying that, without any loss of benefits, the individual has options.

Our proposal gives 75 percent up-front funding as a voucher so that the unemployed may go out and try to get hired.

Of course, you do support permitting the recipient to seek training and education while continuing to receive unemployment compensation. We are just trying to make the system more flexible and trying to accommodate some of the problems that the unemployed are facing right now, or at least that is the intention that I have.

Mr. McGLOTTEN. Let me just say two things on that score, Senator. First of all, No. 1, when Mark referred to the whole question of loading up the system, the system is itself now overbearing in the sense that you have \$11 billion—your State is one—which has outstanding loans. There is a serious problem in terms of the States even paying back the interest.

But more important, the year before last, in 1981, there was a serious cut in the administrative costs of the UI Offices themselves. So, as a result, rather than performing the task of, one, having an individual come in and apply for benefits, and also at the same time try to seek for the individual employment opportunities, because of the cut in staff the only thing that they are doing now is running people through, "Are you eligible for your benefits, did you go out and look for work," "Yes," and that is it, as opposed to providing a real function as an employment office. That is one.

Two, in relationship to the vouchers, first of all, No. 1, the vouchers only go to those individuals who are receiving unemployment compensation; that is only about 49 percent of the persons today. What happens to the other 51 percent in terms of an advantage to go out seeking employment?

But more important, even if you take, for instance, the average unemployment compensation wage, it is \$128 per week. In terms of the administration proposal, at least, you break that down and you say you are going to give the individual 50 percent of that, so that it is \$64, and you would extend his weeks.

Say he has 10 weeks of eligibility of FSC and you extend it to 20 weeks, and after 6 weeks he or she then is able to find a job and he gives the voucher to the employer. Well, part of the problem with that is that while he is working for the employer, you are taking part of the money that he had in his trust fund from his previous employer and you are giving it to another employer, which means, in effect, he has to gain more credits if he becomes unemployed in the next year or so.

You know, in most States you are talking about the amount of money made in a quarter, and that \$64 would be deducted from the amount of money that would be made in a quarter.

Senator QUAYLE. Well, we are dealing with just the general revenue funding money—the Federal part, not the State part of the compensation, because we do not really have jurisdiction over that.

We are just talking about the Federal contribution and the Federal moneys that are going to the States.

Mr. McGLOTTEN. I understand that, sir. But that individual money that is taken as a deduction from the individual employer—in other words, as I understand your proposal, you would take, say, a \$70 voucher. That would go as a credit toward the individual's pay, correct?

Senator QUAYLE. Yes. Well, the employer would be refunded that amount.

Mr. McGLOTTEN. That is correct.

Senator QUAYLE. Right.

Mr. McGLOTTEN. That means that as far as the employer reporting back the wages to the unemployment compensation office at some time hence, they would have to deduct that \$70. Individuals' unemployment compensation is based on the quarters worked, or at least the money received during those particular quarters. I am saying that that puts them at a disadvantage.

There are a number of flaws within the system, sir, and I will be more than glad to give you a paper addressing this issue.

Senator QUAYLE. Well, if that is a problem, I am sure that we can probably work out language to correct it, because it is certainly not my desire to have any kind of a negative impact on the employee who is going to be hired.

Gentlemen, thank you very much, and we will be working with you as we did on the Job Training Partnership Act.

Mr. McGLOTTEN. Fine.

Senator QUAYLE. We appreciate your contribution and it was good to see both of you again.

Next, from the Rhode Island Department of Elderly Affairs, Anna Tucker. We are pleased to welcome Senator Pell to the hearing. We have been invoking your name frequently today in discussing Pell grants. As you well know, one of the proposals that I have is to liberalize the asset test for Pell grants for dislocated workers. We will deal with that not only in this subcommittee, but in our Education Subcommittee as well.

Senator PELL. Thank you very much, Mr. Chairman, for calling on Ms. Tucker. She has been professionally involved with issues of employment and special populations for 40 years, and served for many of these years in the Rhode Island Department of Labor. For the past 6 years, she has been the director of our department of elderly affairs and is one of the truly leading authorities on aging issues in New England.

Given that background, Ms. Tucker has a wealth of knowledge and judgment to share with us. Unemployment for workers 55 and older has increased dramatically, growing from 533,000 in July 1981 to 880,000 presently. That is an increase of 65 percent, and this is being felt particularly strongly in our own State of Rhode Island where almost a quarter of our citizens are over the age of 55. This large increase in unemployment among senior citizens has had a particularly harsh effect in our State.

I know, therefore, that you come well equipped to discuss the problems of unemployment and job creation among our older workers, and I thank the chairman so much for conducting this hearing.

Senator QUAYLE. Well, thank you, Senator Pell, and we certainly appreciate the contribution that you have made not only to this hearing, but to the Job Training Partnership Act last year as an original cosponsor. I know you are actively interested in training and retraining, and also, of course, you are recognized as one of the foremost experts in the area of education.

Please go ahead and proceed, Ms. Tucker.

STATEMENT OF ANNA M. TUCKER, DIRECTOR, DEPARTMENT OF ELDERLY AFFAIRS, STATE OF RHODE ISLAND

Ms. TUCKER. Thank you very much, Senator Pell, for those kind words, and thank you, Senator Quayle, for this opportunity to testify on the bills before your committee to create jobs for unemployed workers.

We have heard this morning about the concerns of youth and the concerns of the dislocated worker and the concerns of the long-term unemployed worker. I would like to focus your attention on another target population, and this is the older worker.

I would like to briefly describe the State I come from. It has often been called a city-State, comparable to an average U.S. county. The Administration on Aging does not consider us an area agency; we are a single service and planning State. We administer all of the Federal dollars from the Older Americans Act on a statewide basis out of our State agency.

The capital is Providence and it has a population of 156,000. Our total State population is just under a million, or 947,000. Providence is located no farther than 45 minutes from any point in Rhode Island. We have the home of Brown University in Providence, the affluent east side, in contrast, an article in the paper just this week stated that 20 percent of the people in Providence are below the poverty level; that is, 1 out of 5. Also, in Providence, one finds our largest concentration of elderly people.

The 1980 census places Rhode Island third in the Nation in proportion of our elderly people to the total State population. The important manufacturing industries are metals and machinery, jewelry and textiles, with wholesale and retail trade, services and government leading the nonmanufacturing sector.

I would like to state that many of our manufacturing industries that have been located in our State have been family industries, employing first and second generations on their payrolls.

In this Nation, a limited number of workers 55 years of age and older participate in what is known as the senior community service employment program, or better known as title V of the Older Americans Act. In calendar year 1981, Rhode Island senior employment workers earned and spent a total of \$1,096,000.

The senior employment program is not a giveaway program; it puts dollars back into the system; 285 State participants who worked part time paid \$51,000 in Federal taxes, \$9,000 in State taxes, and \$53,000 in social security contributions, and provided services in government, senior centers, senior nutrition sites, public school systems, general hospitals, community mental health centers, and recreation departments.

The Rhode Island Department of Elderly Affairs has coordinated efforts with private industry in Rhode Island by developing a senior skills job bank, maintained by a senior employment program job developer. It is designed to match the experience and skills of older workers with the needs of the employer.

The skills bank has a waiting list of 803 older workers 55 years of age or over interested in blue- and white-collar part-time employment. These people are either ineligible for the federally assisted program or are on the long waiting list of the senior employment program.

From January 1981 to December 1982, only 75 persons have been successfully referred and placed in jobs in the private sector. The Department's senior employment program has an authorized slot level of 59. The fact that a greater number of people have been placed through the job skills bank is an indication of the necessity to expand the services of the senior employment program in the private sector.

Last month, the department of elderly affairs was granted funding by the Governor's grant office for a proposal entitled "Project Reentry" to address the needs of older workers in Rhode Island.

The department is enthusiastic about this proposal because it will research, analyze, and document vital information concerning barriers that affect older workers. By coordinating with public and private employees, resources will be determined to promote the retention, retaining and hiring of older workers in Rhode Island.

In the United States, millions of trained and experienced older persons constitute a vast untapped resource of workers. They are victims of ageism. It is ironic and counterproductive that society follows policies that involuntarily idle so many older people. We inhibit them from providing more of their own support, and thereby increase situations that force them into dependency on others.

Economists now predict a labor shortage in 1990. The increase in the older population will affect the declining number of younger workers. Employers will face limits in recruiting trained workers in many occupation categories. There will be an increasing need to retain skilled, productive, mature workers, as well as prepare workers for second and third careers.

Recognizing the need for job training and opportunities for older persons, on February 11 Senator Pell, at a press conference in Rhode Island, discussed his proposed Older Americans Vocational Education Act.

The press conference was conducted at the Ocean State Training Center, where many students were involved in retraining, including a 61-year-old man employed for the last 17 years in production control. His job was terminated and he was in the process of being retrained in the computer field. He was most enthusiastic as he prepared for his second career and anticipated a productive job with much satisfaction. When asked if he could handle the computer course and if he would complete it, the trainee answered emphatically, "yes."

Older persons are an asset, not a liability, and older persons differ in capacities as do young people. Most are good to excellent in health and are mentally alert. The numbers among them who

have high school, college, and postgraduate education are steadily increasing.

Most older people have the capacity of learning new things and perform as well as young workers in terms of job productivity and work capacity. Collectively, they constitute a large pool of skills and experience, willing to participate in new types of job occupations.

The report of the National Committee on Careers for Older Americans stated:

The notion is widely accepted that older people want to quit work. Some people do want to retire early from active, daily work. Others wish to work as long as they can. Still others would like to go on working, but with greater flexibility in hours or days. Some would like to continue in their present jobs and others would like different jobs in the same organization or a less demanding job. Others want to do something different; some are looking for second and third careers.

There is a growing recognition of a need for more options for older people to earn money and to keep active in a useful way.

The continuing downturn in the economy, the shutdown of major companies, and the number of businesses forced into bankruptcy have left many older workers jobless and displaced. Some jobs are now obsolete or have been absorbed within the duties of other positions.

Many women in their forties and fifties, because of widowhood or economic reasons, will be forced to go to work and in order to earn adequate social security benefits, they will have to stay at work until their sixties or seventies. The ravages of inflation will force some retirees to seek reentry into the work force.

In 1900, only 40 percent of the population reached age 65. At the present time, 75 percent of the population reaches age 65, and life expectancy for males who reach 65 years today is an additional 13.9 years, and for females 18.4 years.

Barriers to the hiring of older workers, such as discrimination, personnel policies and practices, legislation, benefits, insurance coverage, and labor union policies that stereotype the elderly, must be challenged and changed. We must adopt new policies and practices developed from a fresh appraisal of the capabilities and interests of older people and what they can contribute to the economic and social life of our communities. New policies must be designed to stimulate and encourage the older worker.

Title V's senior community service employment program should be extended to include, for the first time, private sector employment to offer more options for older people. In turn, the private employer will have the opportunity to develop creative and innovative work patterns, such as flexitime, sharing of the same job by part-time workers, restructuring of jobs, shortened work week, and use of part-time workers to handle peak hours in seasonal workloads.

The private employer will have the opportunity to retain, retrain and hire older workers and to identify new technological jobs through interpretation of existing data, such as labor force participation, labor market analysis, and business forecasts.

I commend your committee for your interest in older workers, an increasing and needy target population who wish only to survive

with dignity and peace in their golden years. Thank you very much.

[The prepared statement of Ms. Tucker follows:]

TESTIMONY OF ANNA M. TUCKER, DIRECTOR, DEPARTMENT OF ELDERLY AFFAIRS, STATE
OF RHODE ISLAND

I AM ANNA M. TUCKER, DIRECTOR OF THE RHODE ISLAND DEPARTMENT
OF ELDERLY AFFAIRS.

THANK YOU FOR THIS OPPORTUNITY TO TESTIFY ON THE BILLS BEFORE
YOU TO CREATE JOBS FOR UNEMPLOYED WORKERS. I WOULD LIKE TO FOCUS
YOUR ATTENTION, IF I MAY, ON THE PROBLEMS OF OLDER WORKERS.

MY STATE, RHODE ISLAND HAS OFTEN BEEN CALLED A "CITY-STATE" COM-
PARABLE IN SIZE TO THE AVERAGE U.S. COUNTY.

THE ADMINISTRATION ON AGING CONSIDERS RHODE ISLAND A SINGLE
PLANNING AND SERVICE STATE WITH NO AREA AGENCIES.

THE CAPITOL AND LARGEST CITY IS PROVIDENCE WITH A POPULATION OF
156,804. CENTRALLY LOCATED, PROVIDENCE IS 45 MINUTES DRIVING TIME
FROM THE FARTHEST POINT IN THE STATE. PROVIDENCE, THE HOME OF
BROWN UNIVERSITY LOCATED IN THE AFFLUENT EAST SIDE RESIDENTIAL
AREA, IS ALSO A CITY WHERE 20% OF THE RESIDENTS, ONE OUT OF
EVERY FIVE, ARE AT OR BELOW THE POVERTY LEVEL OF \$3,686 FOR AN
INDIVIDUAL LIVING ALONE.

RHODE ISLAND IS THE BIRTHPLACE OF THE TEXTILE MANUFACTURING IN
THE U.S. THE LOCATION OF NEWPORT - BERMUDA YACHT RACE, THE
AMERICA CUP RACES, THE TENNIS HALL OF FAME, AND THE FAMOUS
"SUMMER COTTAGES" OF THE VANDERBILTS AND MANY OTHER SOCIETY
FOLKS.

RHODE ISLAND IS THE HEADQUARTERS OF A SIGNIFICANT NUMBER OF
INSURANCE COMPANIES.

THE 1980 CENSUS PLACES RHODE ISLAND THIRD IN THE NATION IN
NUMBER OF ELDERLY IN PROPORTION TO THE TOTAL STATE POPULATION
24.5% (232,121) OF THE 947,154 PEOPLE IN RHODE ISLAND ARE 55

YEARS OF AGE AND OVER.

THE IMPORTANT MANUFACTURING INDUSTRIES ARE METALS AND MACHINERY, JEWELRY AND TEXTILES WITH WHOLESALE AND RETAIL TRADE, SERVICES AND GOVERNMENT LEADING THE NON-MANUFACTURING SECTOR. IT IS WORTHY TO NOTE THAT THE LEADING MANUFACTURING INDUSTRIES ARE ALSO THE MOST DEPRESSED WITH HIGH UNEMPLOYMENT AT THIS TIME.

IN THIS NATION, A LIMITED NUMBER OF WORKERS 55 YEARS OF AGE AND OLDER, PARTICIPATE IN THE SENIOR COMMUNITY SERVICE EMPLOYMENT PROGRAM, TITLE V OF THE OLDER AMERICANS ACT. IN CALENDAR YEAR 1981, RHODE ISLAND SENIOR EMPLOYMENT WORKERS EARNED AND SPENT A TOTAL OF \$1,096,938. The SENIOR EMPLOYMENT PROGRAM IS NOT A GIVE AWAY PROGRAM. IT PUT DOLLARS BACK INTO THE SYSTEM. 285 STATE PARTICIPANTS WHO WORK PART TIME PAID \$51,306 IN FEDERAL TAXES, \$9,559 IN STATE TAXES, \$53,099 IN S.S. CONTRIBUTIONS AND PROVIDED SERVICES IN GOVERNMENT, SENIOR CENTERS, SENIOR NUTRITION SITES, PUBLIC SCHOOL SYSTEMS, GENERAL HOSPITALS, COMMUNITY MENTAL HEALTH CENTERS, AND RECREATION DEPARTMENTS.

THE RHODE ISLAND DEPARTMENT OF ELDERLY AFFAIRS HAS COORDINATED EFFORTS WITH PRIVATE INDUSTRY IN RHODE ISLAND BY DEVELOPING A SENIOR SKILLS JOB BANK MAINTAINED BY A SENIOR EMPLOYMENT PROGRAM JOB DEVELOPER. IT IS DESIGNED TO MATCH THE EXPERIENCE AND SKILLS OF OLDER WORKERS WITH THE NEEDS OF THE EMPLOYER. THE SKILLS BANK HAS A WAITING LIST OF 803 OLDER WORKERS 55 YEARS OF AGE AND OVER, INTERESTED IN BLUE AND WHITE COLLAR PART-TIME EMPLOYMENT. THESE PEOPLE ARE EITHER INELIGIBLE FOR THE FEDERALLY ASSISTED PROGRAM OR ARE ON THE LONG WAITING LIST OF THE SENIOR EMPLOYMENT PROGRAM. FROM JANUARY 1981 TO DECEMBER 31, 1982, 75 PERSONS HAVE BEEN SUCCESSFULLY REFERRED AND PLACED IN JOBS. THE DEPARTMENT'S SENIOR

EMPLOYMENT PROGRAM HAS AN AUTHORIZED SLOT LEVEL OF 59; THE FACT THAT A GREATER NUMBER OF PEOPLE HAVE BEEN PLACED THRU THE JOB SKILLS BANK IS AN INDICATION OF THE NECESSITY TO EXPAND THE SERVICES OF THE SENIOR EMPLOYMENT PROGRAM TO THE PRIVATE SECTOR.

LAST MONTH, THE DEPARTMENT OF ELDERLY AFFAIRS WAS GRANTED FUNDING BY THE GOVERNOR'S GRANT OFFICE FOR A PROPOSAL ENTITLED "PROJECT RE-ENTRY" TO ADDRESS THE NEEDS OF OLDER WORKERS IN RHODE ISLAND.

THE DEPARTMENT IS ENTHUSIASTIC ABOUT THIS PROPOSAL BECAUSE IT WILL RESEARCH, ANALYZE AND DOCUMENT VITAL INFORMATION CONCERNING BARRIERS THAT AFFECT OLDER WORKERS. BY COORDINATING WITH PUBLIC AND PRIVATE EMPLOYEES, RESOURCES WILL BE DETERMINED TO PROMOTE THE RETENTION, RETAINING AND HIRING OF OLDER WORKERS IN RHODE ISLAND.

IN THE U.S., MILLIONS OF TRAINED AND EXPERIENCED OLDER PERSONS CONSTITUTE A VAST UNTAPPED RESOURCE OF WORKERS - THEY ARE VICTIMS OF AGEISM.

IT IS IRONIC AND COUNTER PRODUCTIVE THAT SOCIETY FOLLOWS POLICIES THAT INVOLUNTARILY IDLE SO MANY OLDER PEOPLE - WE INHIBIT THEM FROM PROVIDING MORE OF THEIR OWN SUPPORT AND THEREBY INCREASE SITUATIONS THAT FORCE THEM INTO DEPENDENCY ON OTHERS.

ECONOMISTS NOW PREDICT A LABOR SHORTAGE IN 1990; THE INCREASE IN THE OLDER POPULATION WILL AFFECT THE DECLINING NUMBER OF YOUNGER WORKERS. EMPLOYERS WILL FACE LIMITS IN RECRUITING TRAINED WORKERS IN MANY OCCUPATIONAL CATEGORIES. THERE WILL BE AN INCREASING NEED TO RETAIN SKILLED, PRODUCTIVE, MATURE WORKERS AS WELL AS PREPARE WORKERS FOR SECOND AND THIRD CAREERS.

RECOGNIZING THE NEED FOR JOB TRAINING AND OPPORTUNITIES FOR OLDER PERSONS, ON FEBRUARY 11TH, SENATOR PELL AT A PRESS CONFERENCE IN RHODE ISLAND DISCUSSED HIS PROPOSED OLDER AMERICANS VOCATIONAL EDUCATION ACT. THE PRESS CONFERENCE WAS CONDUCTED AT THE OCEAN STATE TRAINING CENTER WHERE MANY STUDENTS WERE INVOLVED IN RE-TRAINING, INCLUDED A 61 YEAR OLD MAN, EMPLOYED FOR 17 YEARS IN PRODUCTION CONTROL. HIS JOB WAS TERMINATED AND HE WAS IN THE PROCESS OF BEING RETRAINED IN THE COMPUTER FIELD - HE WAS MOST ENTHUSIASTIC AS HE PREPARED FOR HIS SECOND CAREER AND ANTICIPATED A PRODUCTIVE JOB WITH MUCH SATISFACTION. WHEN ASKED IF HE COULD HANDLE THE COMPUTER COURSE AND IF HE WOULD COMPLETE IT, THE TRAINEE ANSWERED EMPHATICALLY "YES".

OLDER PERSONS ARE AN ASSET NOT A LIABILITY, AND OLDER PERSONS DIFFER IN CAPACITIES AS DO YOUNG PEOPLE.

- MOST ARE IN GOOD TO EXCELLENT HEALTH AND ARE MENTALLY ALERT
- THE NUMBERS AMONG THEM WHO HAVE HIGH SCHOOL, COLLEGE AND POST GRADUATE EDUCATION ARE STEADILY GROWING
- MOST OLDER PEOPLE HAVE THE CAPACITY OF LEARNING NEW THINGS AND PERFORM AS WELL AS YOUNG WORKERS IN TERMS OF JOB PRODUCTIVITY AND WORK CAPACITY
- COLLECTIVELY THEY CONSTITUTE A LARGE POOL OF SKILLS AND EXPERIENCE WILLING TO PARTICIPATE IN NEW TYPES OF JOB OCCUPATIONS

THE REPORT OF THE NATIONAL COMMITTEE ON CAREERS FOR OLDER AMERICANS STATED "THE NOTION IS WIDELY ACCEPTED THAT OLDER PEOPLE WANT TO QUIT WORK - SOME PEOPLE DO WANT TO RETIRE EARLY FROM ACTIVE DAILY WORK, OTHERS WISH TO WORK AS LONG AS THEY CAN. STILL OTHERS WOULD LIKE TO GO ON WORKING BUT WITH GREATER FLEXIBILITY IN HOURS OR DAYS. SOME WOULD LIKE TO CONTINUE IN THEIR PRESENT JOBS AND OTHERS WOULD LIKE DIFFERENT JOBS IN THE SAME ORGANIZATION OR A LESS

DEMANDING JOB. SOME OTHERS WANT TO DO SOMETHING DIFFERENT. SOME ARE LOOKING FOR SECOND AND THIRD CAREERS"

THERE IS A GROWING RECOGNITION OF A NEED FOR MORE OPTIONS FOR OLDER PEOPLE TO EARN MONEY AND TO KEEP ACTIVE IN A USEFUL WAY.

THE CONTINUING DOWN TURN IN THE ECONOMY, THE SHUT DOWN OF MAJOR COMPANIES AND THE NUMBER OF BUSINESSES FORCED INTO BANKRUPTCY HAS LEFT MANY OLDER WORKERS JOBLESS AND DISPLACED. SOME JOBS ARE NOW OBSOLETE OR HAVE BEEN ABSORBED WITHIN THE DUTIES OF ANOTHER POSITION. MANY WOMEN IN THEIR 40'S AND 50'S BECAUSE OF WIDOWHOOD OR ECONOMIC REASONS WILL BE FORCED TO GO TO WORK AND IN ORDER TO EARN ADEQUATE S.S. BENEFITS, THEY WILL HAVE TO STAY AT WORK WELL INTO THEIR 60'S AND 70'S. THE RAVAGES OF INFLATION WILL FORCE SOME RETIREES TO SEEK RE-ENTRY INTO THE WORK FORCE.

IN 1900, ONLY 40% OF THE POPULATION REACHED AGE 65, AT THE PRESENT 75% OF THE POPULATION REACH AGE 65. LIFE EXPECTANCY FOR MALES WHO REACH 65 YEARS TODAY IS AN ADDITIONAL 13.9 YEARS AND FOR FEMALES 18.4 YEARS.

BARRIERS TO THE HIRING OF OLDER WORKERS SUCH AS DISCRIMINATION, PERSONNEL POLICIES AND PRACTICES, LEGISLATION, BENEFITS, INSURANCE COVERAGE AND LABOR UNION POLICIES THAT STEREOTYPE THE ELDERLY MUST BE CHALLENGED AND CHANGED - WE MUST ADOPT NEW POLICIES AND PRACTICES DEVELOPED FROM A FRESH APPRISAL OF THE CAPABILITIES AND INTERESTS OF OLDER PEOPLE AND WHAT THEY CAN CONTRIBUTE TO THE ECONOMIC AND SOCIAL LIFE OF OUR COMMUNITIES. NEW POLICIES MUST BE DESIGNED TO STIMULATE AND ENCOURAGE THE OLDER WORKER.

TITLE V, SENIOR COMMUNITY SERVICE EMPLOYMENT PROGRAM SHOULD BE EXTENDED TO INCLUDE FOR THE FIRST TIME, PRIVATE SECTOR EMPLOYMENT TO OFFER MORE OPTIONS FOR OLDER WORKERS, IN TURN, THE PRIVATE EMPLOYER WILL HAVE THE OPPORTUNITY:

1. TO DEVELOP CREATIVE AND INNOVATIVE WORK PATTERNS SUCH AS FLEXTIME WORK, SHARING OF SAME JOB BY PART-TIME WORKERS, RESTRUCTURING OF JOBS, SHORTENED WORK WEEK, USE OF PART-TIME WORKERS TO HANDLE PEAK HOURS IN SEASONAL WORK LOADS.
2. TO RETAIN, RETRAIN AND HIRE OLDER WORKERS
3. TO IDENTIFY NEW TECHNOLOGICAL JOBS THROUGH INTERPRETATION OF EXISTING DATA SUCH AS LABOR FORCE PARTICIPATION, LABOR MARKET ANALYSIS AND BUSINESS FORECASTS.

I COMMEND YOUR COMMITTEE FOR YOUR INTEREST IN OLDER WORKERS, AN INCREASING AND NEEDY TARGET POPULATION WHO WISH ONLY TO SURVIVE WITH DIGNITY AND PEACE IN THEIR GOLDEN YEARS.

Senator QUAYLE. Thank you very much for a your comprehensive and thoughtful statement. I can now see why Senator Pell made those very kind remarks about you and your career.

Ms. TUCKER. Thank you.

Senator QUAYLE. Senator Pell?

Senator PELL. Thank you very much, Mr. Chairman.

In our own State of Rhode Island—which is not very different from the other States, especially in composing industrial portions of other States around the country—what is the number of older workers, specifically, that have been forced out of work because of the depression or recession?

Ms. TUCKER. I tried to get that figure for my presentation, Senator Pell, and I was not able to get it. But I do think it is worthy to note that many of our older businesses have gone into bankruptcy or have been forced out of business, I recall a retail store, the Outlet Co., where practically all of the employees, were lifetime employees, they had worked there 40 and 50 years.

The unemployment rate in Rhode Island has increased dramatically; It was 8.5 percent in August 1982, and the December figure was 10.9. With the closing down of so many of our established employers, it is the older person who is affected by these closings.

Just recently, Owens-Corning Fiberglas Co. announced that they would be closing down in December of this year, and they employ over 400 people.

Senator PELL. I think you are so right that, very often, when these little businesses, family businesses, in many cases, old businesses—where people have been in them for years, fail, the suffering individuals, the victims, are the workers who are usually older than the average. So, we have had, I think, a greater portion of those who have lost their jobs who are old than one would have otherwise expected.

In a State like ours where we have cold weather and a fairly high cost of living, what has been the impact on the quality of life of our older workers? What resources do they have and do they have any retraining opportunities beyond the one you mentioned in your testimony?

Ms. TUCKER. We have found that through our senior employment program, people have come into work. Now, this is a program for low-income, elderly people, and if they do not qualify for that, we do try to place them within our aging network in some capacity.

Many of them are interested in volunteer work—people who do not need to work, older people. We do use an extensive volunteer corps in Rhode Island. But when they are out of work, it is not only the economic aspect, it is the psychological and mental aspect—the anxieties of, “How will I pay my tax bill, and how will I be able to continue to live in my own home, and will I be forced to find another lifestyle?”

They worry about their health care, which is increasing each day. Also, so many people are forced into retirement when they are not ready for retirement—when there has been no preparation for retirement. So, the quality of life for our older workers—and I am sure throughout the country, the same situation exists—is extremely difficult.

Senator PELL. This would seem particularly unfair, because I think we could say as a general rule that the quality of work of older workers is higher than the average. Yet, they are the ones who are fired and their quality of life goes down. It does seem very unfair.

Ms. TUCKER. I think, too, Senator Pell, it is a question of educating employers that hiring the older worker is the best value the employer can get for his dollar. We must take a real hard look at work patterns, and how can we supplement social security payments.

Elderly people do want to keep their social security intact, and I have often proposed—and I do not know that it is feasible, but anything is feasible—why cannot older people work, pay into the system, and collect too? Why must they wait until they are 70 to earn an unlimited amount of wages?

Senator PELL. Do you find in your experience that older workers are likely to give up hunting for a new job more quickly than younger workers, or if they want to work, do they tenaciously seek employment?

Ms. TUCKER. I believe the work is not there for older workers, because they are looking for part-time work many times. We were able to work with one of our insurance companies, and this insurance company will be honored when we celebrate Senior Employment Week in the middle of March.

This company came to our skills bank to inquire if we could provide them with employees for peak time work and for seasonal work. This is the kind of work older people require. We hope that by identifying this insurance company, we will make other employers aware of the potential untapped resource.

Senator PELL. I know one of the most responsible workers in my office, and one who has a very responsible job, is over 75, and he does such a good job at work that we are very happy.

I really believe that in the employer's mind, too little recognition is given to the fact that older workers have skills and have the quality of work and the work habits that are very much needed in production, and I think we need to do more.

Ms. TUCKER. With our senior employment program, we are able to place many of these older workers within the aging network, and this has been one of the criticisms of the Administration on Aging that we do not hire older workers.

In my particular office, we have a woman who is 84 years old and she is our paralegal and librarian. She received her bachelor's degree when she was 72 years of age. Our library happens to be in our foyer, so she is very visible to anyone who comes into the office. But, certainly, she is most capable, mentally alert, and performs beautifully for the Department.

Senator PELL. What would be examples of some of the skills that older workers have that are not being properly utilized at this time?

Ms. TUCKER. Well, they certainly have skills and experience of years of work. But I do find, Senator Pell, that many of these older workers are not interested in continuing in the same fields; that they are looking for other things to do, other things that they do not even consider a job.

We have used some of our senior employment people in a town where the town purchased smoke alarms, and these two senior employment men are going to homes for the elderly to install smoke alarms. They both previously worked in manufacturing, but they are enjoying this work tremendously.

We have placed teachers in our senior centers. Some of them do teach in the centers; others do clerical work, and others do anything that is asked of them. They have all kinds of skills. They are the same as young people, only with more skills and more experience.

Senator PELL. Do you find that in the case of secretarial skills, their fingers are less nimble, or can they handle the typewriter just as well as younger workers, as a rule?

Ms. TUCKER. The fingers may be less limber, yes, particularly if arthritis has set into those older fingers. However, the quality of work far exceeds the fast typist.

Senator PELL. I would agree with you on that, and I think they do have the qualities as you point out, of accuracy and steadiness. As a general rule, I think an office is well served by having older workers.

If title V were expanded to include private employers, do you think there would be a danger, then, that employers might fire the existing workers in order to hire title V workers?

Ms. TUCKER. I think we are talking about oranges and lemons. The older worker would not replace the younger worker. The older worker is looking for part-time work; is looking for work that may be spasmodic, or work that will not affect their social security, as I said before.

Also, you will find that younger workers appreciate having older workers accompanying them with their work. It gives for a better mix of employees.

Senator PELL. Excuse me. That was not my question. My question was if title V were expanded to include private employers, do you think that there would be a danger that these employers might hire the available older title V workers because their wages would be paid by the Federal Government?

Ms. TUCKER. No, I do not think so, Senator Pell. I think that the kind of work they will do and the hours they can work would differ from the younger worker.

Do you mean the cost of hiring that person would be less?

Senator PELL. A marginal manufacturer might use that as a way of getting an edge on his competitors. That would be one worry there; I do not know.

Ms. TUCKER. Perhaps we should then limit the time that Government would subsidize a worker in the private sector. In the senior employment program, we are urged to place people and not to continue to keep them in the senior employment program.

We have found that we were able to place many people in private industry because of the experience that they have had, particularly widows who, at 55, find themselves without any resources; they have never worked. If they can come into the senior employment program, acquire self-confidence and the experience they need, then they can go out and apply to the private sector.

I would hope that the same would apply if they were allowed to work in the private sector; that employer would then take on this older worker on the regular payroll.

Senator PELL. When the Federal subsidy ended, do you feel that some of the employers might be tempted to fire their older workers, or would they keep them on? How can we try to make sure that they keep them on?

Ms. TUCKER. I do not have any answer to that question, but I do think there should be a limited time for that senior employment person to work in the private sector, and hopefully he will be employed by the private employer.

Senator PELL. Right, and then the slack would be taken up. That is the point I am making. Because the quality of work of the older worker is so excellent it is extremely likely that the employer would keep the older workers on even after the Federal subsidy has been withdrawn.

Ms. TUCKER. I would hope so, Senator Pell.

Senator PELL. What kind of jobs do you think will open up before the year 2000 that our older workers will be able to handle?

Ms. TUCKER. You and I both witnessed the 61-year-old man, and he was very enthusiastic about his new career. I see the computer business emerging with the most important job opportunities for older workers. I also see health care, and not only as paid workers but as volunteers. In Rhode Island, we are embarking upon a program of seniors helping seniors, and this is to give some kind of training to our older people in housing complexes so that they can take care of their neighbors. This goes on in an informal manner right now, but this would be a formalized, coordinated program where we would not need to send all of our older people to nursing homes. They could come home to their own apartments, with the support of the community.

I would see that kind of an option for older people—paid jobs in health care.

Senator PELL. Good. I thank you very much for taking the long trip to come down here, and I thank our chairman for his patience, and congratulate him on this hearing and the legislation he is sponsoring.

Senator QUAYLE. Thank you, Senator Pell. Thank you, Ms. Tucker.

Ms. TUCKER. Thank you.

Senator QUAYLE. The subcommittee will stand in adjournment until tomorrow at 9 o'clock.

[Whereupon, at 12:33 p.m., the subcommittee was adjourned.]

EMPLOYMENT OPPORTUNITIES ACT OF 1983

WEDNESDAY, FEBRUARY 23, 1983

U.S. SENATE,
SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY,
COMMITTEE ON LABOR AND HUMAN RESOURCES,
Washington, D.C.

The committee met, pursuant to notice, at 9:15 a.m., in room 301, Dirksen Senate Office Building, Senator Dan Quayle (chairman of the subcommittee) presiding.

Present: Senators Quayle, Grassley, and Kennedy.

Senator QUAYLE. The committee will come to order.

This is our third day of hearings on proposals concerning job legislation. Today as our leadoff witness we are honored to have Governor Pierre S. du Pont from Delaware, who is certainly no stranger to the jobs issue. Not only has he recently advanced a new proposal at the National Press Club, but he has been deeply involved in jobs legislation in his home State of Delaware and is recognized as a national leader on this issue. So today we will begin with one of the foremost experts.

And with that brief introduction and those accolades, Governor du Pont, I really cannot say anything much better than welcome to the committee. You know the issue well, and we certainly look forward to the spirited and insightful testimony that you have given to us before.

I remember that the last time you testified before this subcommittee it was a joint hearing with Senator Stafford. At that time, we were talking about training and employment and how we could consolidate vocational education and training programs. If my memory is correct, that was about a year or a year and a half ago.

Welcome once again to the committee. We're certainly delighted and it is a pleasure to have you here.

STATEMENT OF HON. PIERRE S. du PONT IV, GOVERNOR, STATE OF DELAWARE

Governor DU PONT. Senator, with that introduction, anything I can say will pale in comparison. But I appreciate the chance to talk once again about not only one of my favorite subjects, but I think a subject that is close to the core of the principal problem that America has today, and that is putting people back to work.

If I may submit the full text of my testimony for the record and briefly excerpt from it, and then I would be glad to answer your questions.

Senator QUAYLE. The full text will be inserted in the record.

Governor DU PONT. I think before I begin my substantive remarks and make some suggestions about the kind of program that ought to be adopted by the Congress, I ought to compliment you, Mr. Chairman and members of your committee and the Senate for the enactment of the Job Training Partnership Act of 1982.

Those of us who are out there in the front lines worrying about unemployment at home are very grateful that we at last have some weapons to fight the war with. And I am confident that that act is going to be a milestone in America's efforts to turn around the unemployment problem because for the first time at the local level, we will be addressing the serious questions and have some resources to address them with.

Particularly, you should know that the Department of Labor has been undertaking its responsibilities with a great deal of vigor. They have been helpful to all 50 Governors in preparing our programs, in preparing regulations, and they have taken the marvelous step of recognizing that under the law the responsibility is ours.

And for the first time the Governors and the local councils have the responsibility. The Department of Labor is making sure we have the technical know-how and telling us to go forth and get the job done. We are doing that in all 50 States across the country, and it is coming along well. It is not a fast process, but the implementation of the law is going well and we will be onstream on the first of October as required by your statute.

Senator QUAYLE. If I might just interrupt and ask a question here: do you think you will have any problem in conversing with some of your other Governors on meeting that 1 year transition that we put in? Do you foresee any problem with some of your peer groups?

Governor DU PONT. We have already met on the staff level with all 50 gubernatorial representatives. We have given them information on how the law requires them to act and the process is going well. I would not say that all the States are right on the timeline, but they are all aware of it, and, in particular in States where there are existing incumbent Governors, it is going well.

Where some new Governors were elected in November, it is going a little more slowly. But I think we will meet the deadline and be onstream on October 1.

Senator QUAYLE. Good, I certainly hope so.

Governor DU PONT. I should also note, Mr. Chairman, that the National Governors' Association Executive Committee has recently established a task force on jobs and infrastructure, headed by Governor Thompson, the chairman-elect of the NGA. Six other Governors, including myself, serve on the task force. And that task force will be meeting at our National Governors' Association annual winter meeting here in Washington this weekend.

And we will be reviewing the short term responses to the unemployment problem. That is what many of you on the Hill are concerned with. And we will be coming up with some specific recommendations.

Let me say, however, that the five principles that the NGA is concerned with in regard to the short term proposals are the financing mechanism to assure that financing does not take away

from existing programs to finance a new one. Second, the flexibility question because all States do have different problems and are structured differently. We need maximum flexibility at the local level.

Third, that priority be given to labor-intensive activities. Fourth, that we target the funds to the long-term unemployed. And finally, that the funding be in a timely manner.

So often the job training programs have a long lead time, and by the time they are enacted, the economy is already into recovery. I just mention those five items because you will be hearing from the task force again shortly, and perhaps at your next set of hearings.

Let me make clear, then, that what follows in terms of my testimony is mine alone. It is not representing the task force which has not completed its deliberations. It is not representing the National Governors Association. I do chair the Subcommittee on Employment and Training, but that policy, too, will be adopted while we are in Washington later this week.

But I have had an opportunity in my role as chairman of Jobs for America's Graduates and as Governor and a former Congressman to turn some of my time and attention to the full range of employment problems that confront us in America.

And I must say, like you, I am sure, Mr. Chairman, that I am a little troubled by what I see; there is a host of bills before us in the Congress now. There is a Quayle bill, a Kennedy bill, a Hawkins bill, a Hatfield bill, a Reagan proposal, an O'Neill, \$1 billion add-on to the Reagan proposal, and for all I know, there are three more bills this morning that we have not caught up with.

I would suggest that these jobs bills that the Congress is considering putting together do not particularly hang together in a logical fashion. Indeed, they may not even be intended to hang together in a logical fashion, but they do not provide a very consistent approach to what we are trying to do.

In short, the sum of the parts is substantially less than the whole employment policy that we need for our country. We have dozens of job bills, but we do not have a single, national employment policy.

I think the real problem that is confronting us in America today is in the pervasive change that is taking place in the American work force. Unless the skills and abilities of that work force change at the same time our economy is changing, millions of unemployed and currently employed people are going to be unable to obtain or hold onto jobs in the next decade.

Millions of younger and older Americans may well be left behind, despite the coming economic recovery, because of our failure to grasp the extent and the impact of the fundamental change that is occurring in our work force. If you look at the last 80 years in America and look at the fundamental change that has swept through the work force, we have moved from an agricultural to an industrial economy. We have moved to a highly mechanized and now electronic-oriented economy.

And all that displacement and all that adjustment and all that technological change in 80 years, from 1900 to 1980, I believe, is going to be surpassed in the next 20 years. Change is going to come even more quickly. Nowhere is that change greater than in the

technological progress that is reshaping the fundamentals of the American economy.

The national issue of 1983 is whether we are ready to deal with that change. I think too often we see the villain in the piece as recession, so our national employment policy is really geared to an economic policy that is geared to the question of growth.

But growth is only one part of the puzzle, as you well know. And Dr. Martin Feldstein, when he testified, pointed out that perhaps half of our current unemployment is structural; it is not growth related. Of course, sustained and adequate growth is essential, a non-negotiable demand of employment opportunities for the people of this country. But what America needs in addition to an economic policy to stimulate real growth is an employment policy to insure that the people can do the jobs that are created by that growth.

Historically, the focal point for reacting to change in the work place was our education system, and each new generation was sent into the marketplace with a set of skills that would last them for a lifetime of work.

But that is not true anymore. A one skill per generation policy is not satisfactory when the rate of change is as great as it is. Some people estimate that as many as 20 million Americans are going to need to be retrained in the next 10 years as the current skills that we have become almost obsolete.

The American Society of Engineers estimates that by 1990, just 8 years away, more than half the work force on the industrial plant floor will be white-collar technicians who are there to maintain computer and robot systems that are manufacturing durable products.

And that is going to be a major effort in order to retrain perhaps 10 to 20 million people so that they can do those new kinds of jobs that are becoming available. Well, given these kinds of changes in the American work force, one would expect to see a whole host of innovative and creative ideas being presented, and I am afraid what we see is some tired retreads.

We see the old public works jobs programs that have been proven not very effective in the past. We see pressures toward protectionism, which will cost the American consumer in the end more dollars and more jobs and further protecting industries from the genuine competition that would stimulate investment and innovation.

I think a good example of the misnomer of jobs bills is the recent 5 cent gasoline tax that was put on Americans whose average wage is \$7.80 an hour to pay highway repair workers an average wage of \$11.80 an hour.

Now, I happen to agree that that gas tax was a good way to repair the roads, but it is clearly not a job creation bill in any sense of the word. So instead of a string of jobs bills, Mr. Chairman, churned out independent of any guiding philosophy, I think it is time to focus on a single national employment, as opposed to unemployment, policy that emphasizes training people for permanent employment instead of only attempting to cushion the severe blow of unemployment. And I would like to suggest to you a four point program that would produce an immediate double-barreled assault on both ends of the unemployment line.

It would establish training as the centerpiece of governmental action to manage effectively a new national employment policy. It is based upon the concepts that you, yourself, Mr. Chairman, pushed through this Congress and President Reagan signed into law last year, specifically, the Job Training Partnership Act.

That act is correct in principle. It is going to be effective in practice, and the essence of that legislation was that the public and private sectors must come together and unite in a partnership to provide for the training and placement of America's unemployed.

The national employment policy that I am going to suggest to you now is building upon that principle. The first portion of that program is for those people who are currently drawing unemployment benefits and whose jobs will not come back, the displaced worker. I suggest that we create a national employment assistance program that would offer a single package of unemployment benefits, training vouchers, media job search, and relocation assistance, for perhaps 1½ million individuals who are now displaced.

Such a package of employment assistance would be standardized for an equal deal for everyone, either with existing benefit payments beyond 39 weeks, Federal supplemental compensation benefits, plus additional funds through title III of the Job Training Partnership Act. This program would provide a package of general opportunity for the displaced worker: unemployment insurance to bridge the gap from job to job, retraining to improve personal occupational skills, counseling, job seeking, and relocation assistance to move the individual from a lost job to a new job.

In 1982 while 10 million people were unemployed in this country, there were over 1 million skilled jobs that were vacant. I believe we can substantially reduce the number of current and future unemployed if we begin today to retrain people to fill the jobs that will become available as the recession ends and the economy begins to grow.

Second, a program of immediate relief is clearly needed for those who are on extended benefits or who have exhausted their benefits, and that may amount to half the people who are unemployed today. And so I would propose a 2-year, \$2 billion program that would provide the same services, the retraining, the relocation assistance, the counseling, to help on a one-time basis the 1 million individuals who are in the most dire circumstances.

Third, we must launch a new assault on the front-end loading of our unemployment lines that occurs when young people graduate from high school and cannot find or do not have the skills to get a job. An additional \$1 billion in school-to-work transition programs could assist a quarter of the graduating class of 1985, perhaps 650,000 young people across this country who might otherwise become unemployed following graduation.

I am particularly excited about a program of that kind because such a program exists, jobs for America's graduates. It is already functioning in eight States, and I personally have seen the success of the program. It is both inexpensive and highly effective.

These funds could be made available to local public-private partnerships in the spirit of the Job Training Partnership Act, or they could be made available directly to school districts to extend the reach and capacity and responsibility of our educational system. If

we are going to undertake any of these programs, we are going to have to help our local educational agencies a bit more.

I would suggest taking the current \$700 million spent on Federal vocational education assistance, supplemented by the \$300 million we spend in economic development assistance funds, and target that billion dollars to improve the training facilities and the programs of our vocational education system. Vocational education is the only program that I am aware of that the State and local governments support much more than the Federal Government supports.

Usually we get Federal funds coming in and a small State match. In the case of vocational education, we have a large local use of funds and a small Federal match. And strengthening the vocational education system would be the best thing we can do to improve the training capacity of our country.

Finally, Mr. Chairman, the fourth and most difficult portion of the program is the most necessary. And that is to create a new governmental system at the Federal, State, and local level that can help organize government programs around the principle of employment. It is not a question of just reshuffling bureaucracies; what we need is a new management mechanism built on the public-private partnership concept that was born in the Job Training Partnership Act of 1982.

I would suggest something between the synfuels board and the Federal Reserve Board, a relatively independent board of private and public sector people able to respond swiftly and effectively to the problems and challenges of unemployment without months of debate and the paralyzing influence of special interest.

Such a national employment investment board would be vested with broad authority over employment and training programs.

Its members would serve independent staggered terms, and they would be drawn from the senior levels of government and the private sector in the fields of economics and business and labor and education training. And the Secretary of Labor would serve as the chairman of the board.

Similarly, the Congress needs some reorganization. Today eight committees alone must deal with even a minor change in our unemployment insurance system. Two dozen committees are involved in employment and training matters, generally. I believe it is time for a single joint committee on unemployment policy, just as there is a single budget committee so that that committee can oversee the work of the independent board, recommend budget allocations, programmatic changes, and related actions to the two Houses and to the President.

Finally, Mr. Chairman, the Federal Government should provide small partnership grants to help State and local governments prepare their own employment strategies. North Carolina's research triangle, Louisiana's offshore oil industry, Delaware's financial services developments are examples of programs that have sprung up from local communities and have been effective in creating jobs.

Job creation is often more of a local problem than a national one because education and taxation and zoning and transportation policies are frequently decisive in changing stagnation into economic growth.

The unemployed and the jobs are not on Capitol Hill; they are out there in tens of thousands of communities across the country, and that is where jobs programs need to originate.

So, in summary, Mr. Chairman, the case for the approach I have outlined is compelling on several levels: first, it shapes an employment and training role for the Federal Government in marshaling our Nation's resources to assist the unemployed by preparing them for new jobs in a changing marketplace.

Second, it puts the responsibility to obtain the skills necessary to find a job on the individual, thereby helping people help themselves.

Third, it seeks to foster a new relationship between the Federal Government and the education community by making funds available for school-to-work transition programs and strengthening vocational education.

Fourth, it acknowledges that the Federal Government must work in concert with State and local governments to foster effective community economic development programs.

And, finally, the plan is characterized by an affordable cost; perhaps \$3 billion in net new funds in the first year and less in the future as retrained Americans rejoin the work force. But most importantly, the plan brings a new measure of hope and opportunity to 3 million Americans in its first year of operation.

Simply put, America can no longer afford its current policy of billions for income maintenance and pennies for employment and training. Our national employment policy must strive to help individual Americans take full advantage of the opportunities of the 1980's. It demands a new partnership between government, education, labor, and business to create in the classroom, on the shop floor, and in the living rooms of America an employment program to make America's workers employable in tomorrow's marketplace.

Thank you.

[The prepared statement of Governor du Pont follows:]

TESTIMONY BYTHE HONORABLE PIERRE S. DU PONT IVGOVERNOR OF DELAWARE.TO THE:SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITYUNITED STATES SENATEFebruary 23, 1983

Chairman Quayle, members of the subcommittee -- it is always an honor and a special pleasure to have the opportunity to come before you to present observations and recommendations for your consideration.

Before I begin my substantive remarks regarding government's response to unemployment, let me state that I believe the federal government took a great step forward when Congress passed the Job Training Partnership Act of 1982. Those of us beyond the banks of the Potomac are on the front lines of the battle against unemployment, and it is encouraging that the Congress and the President saw fit to provide us with some effective weapons.

I especially want to commend the Department of Labor for the job they have been doing to meet the tight deadlines contained in the Act for preparing regulations and making necessary decisions on transition activities. I am particularly pleased with the continued emphasis by the Department on the intent of the legislation that the states and the public and private partnerships at the state and local level be given the broadest range of discretion within the spirit and letter of the law to establish and operate job training programs in a genuine partnership. JTPA is not like other federal laws. It is our responsibility at the state and local level, both public and private, to put this law into practice.

I would also note that the National Governor's Association is also planning some action on the job creation front. The NGA Executive Committee has established a Task Force on Jobs and Infrastructure headed by Governor Thompson, Chairman-elect of the NGA. Six other governors, including myself, serve on the Task Force.

Specifically, the Task Force is reviewing short-term responses to the unemployment situation, and will be recommending to the full NGA conference next week that the following principles be incorporated into any short-term job creation proposals:

- Preservation: Financing for programs should not come at the expense of existing programs of federal assistance;
- Flexibility: State and local governments should have maximum flexibility in allocating funds;
- Efficiency: Priority should be given to activities that are labor intensive;
- Targeting: Funds utilized for jobs creation should be targeted to the long-term unemployed;
- Timeliness: The timely commitment of federal funds by state and local governments is necessary to put people back to work as soon as possible.

There is agreement among Task Force members that long-term job creation initiatives should be the major item on the group's agenda. The Task Force asked me to tell you that we are ready to assist you whenever possible.

Let me now make clear the fact that the rest of my testimony is mine and mine alone -- not to be associated with my position as Chairman of NGA's Subcommittee on Employment and Training, my Chairmanship of the Board of Directors of Jobs for America's Graduates or any other affiliation.

In light of those associations, as well as my role as Governor of Delaware, I have devoted a great deal of time and attention in the past several years to the full range of employment problems that confront our country, our states and our communities. In the course of that work, I have reached some troubling conclusions that have been reinforced by recent events.

I have given my attention to the host of bills, proposals, recommendations and suggestions that have been made with every good intention by so many members of Congress, leaders in government, and leaders in the public and private sectors over the past few months. What appears to be happening is that government is constructing a series of "Jobs Bills" that do not necessarily or even intentionally hang together in any logical fashion, nor offer to provide consistent approach or direction. The sum of the parts is substantially less than the whole employment policy needed for our nation. At the moment we have dozens of "Jobs Bills" but we do not have a single national employment policy.

As a former member of Congress, and as a sitting governor, I believe government is reacting to the problem of unemployment rather than anticipating it. The set of proposals currently under consideration in Washington is likely at best to meet only half of the apparent problem. At worst, they are simply postponing the real problem.

The real problem lies in the pervasive change that is taking place in the American workplace; unless the skills and abilities of the American workforce change at the same time, millions of unemployed and currently employed people will be unable to obtain or hold jobs in the next decade. Millions of young and older American workers may be left behind despite the coming economic recovery because of our failure to grasp the extent, and impact of the fundamental change occurring in our workforce.

When the 20th Century began, the American workforce was very different than it is today. Nearly half of America's workers earned their living on farms; today only four percent do. The steel industry was in its infancy; the automobile industry did not exist. Computer technology lay two generations away, in the minds of scientists yet to be born. The transformation of our jobs, the movement of our people, the improvements in our skills over the first eighty years of this century have been stunning. But it is entirely likely that the changes recorded in those eighty years will be matched and surpassed by the changes of the final twenty years of this century.

The significance of that projection is overwhelming. It means that all the displacement, all the adjustments, all the technological advances of eighty years will be collapsed into twenty years.

There are one-third fewer autoworkers today than when this decade first began. For the first time in our history more than half of the workforce is female. The last black and white television set was produced in America -- probably ever -- while home computers passed one billion dollars in sales.

Everywhere we look there is change, but nowhere is it greater than in the technological progress that is reshaping the very fundamentals of the American economy. The national issue of 1983 is whether we are ready to deal with that change. The answers I have seen so far do not appear to go to the heart of the unemployment issue of today nor what we can expect for tomorrow.

Too often we see the villain as recession. So our national employment policy is really an economic policy geared entirely to the questions of growth. But growth is only one part of the employment puzzle. Indeed, Dr. Martin Feldstein, Chairman of the President's Council of Economic Advisors, pointed out recently that perhaps half of our current unemployment is structural, not growth related. Of course, sustained, adequate growth is essential -- a non-negotiable demand for employment opportunities. But what America needs in addition to an economic policy to stimulate real growth, is an employment policy to insure that our people can do the jobs that are created by that growth.

Historically, the focal point for reacting to changes in skill needs in the workplace has been our education system. Each new generation was sent into the marketplace with a set of skills that would serve it usefully for a lifetime of productive employment. But now the skills required for continued employment are changing so rapidly that one "skill-per-generation" is no longer sufficient.

Consider, for example, the plight of the unemployed steelworker in Youngstown. He's forty-two years old. He and his wife have a sixteen year-old daughter who is having trouble finding a summer job. Their eighteen year-old son is proud of his family and wants only to follow in his father's footsteps. But the steelworker's job is unlikely ever to return. Their daughter has not taken enough math or science courses to understand computer technology. Their son has watched the steel mills shut, one by one, losing his motivation to do much of anything. Do our current unemployment programs respond to the needs of this American family? Sadly, the answer is no.

While Americans and Washington have periodically focused on the plight of the family in Youngstown, we are only recently recognizing its solution. It is not just ending the recession. It is not just extending unemployment benefits. The key to solving the problem of our new economic situation is training.

Some estimates indicate that as many as twenty million Americans will need to be entirely retrained in the next ten years as their current skills become almost obsolete. The American Society of Engineers estimates that by 1990 more than half of the workforce on the industrial plant floor will be white collar technicians who are there to maintain the computer and robot systems that are manufacturing our durable products.

Given these immense changes taking place in the American workforce, one would expect to see a host of innovative and creative ideas presented to policymakers in the Congress and in the Administration. But too many that are offered up are tired retreads: the old public works jobs programs that have proven costly, inefficient, and ineffective in providing skills usable in our new labor market; and the building of protectionist walls around our industries that will cost the American consumer more dollars and more jobs, protecting industries from the genuine competition that would stimulate investment and innovation.

A good example of the misnomer of "Jobs Bills" is the five cent gasoline tax on Americans whose average wage is \$7.80 per hour, to pay highway repair workers an average wage of \$11.80 per hour. Now, that may be a good way to repair roads, but it's clearly not a good "jobs" program as the President stressed.

Rather than a string of "Jobs Bills", churned out independent of any guiding philosophy, I believe it is time to focus on the development of a single, national employment -- as opposed to unemployment -- policy that emphasizes training people for permanent employment, instead of only attempting to cushion the severe blow of unemployment.

It's also time to focus on prevention as well as remediation as part of that policy. We need a plan that challenges the traditional principles of our patchwork federal unemployment policy. We need a plan that offers both an immediate response for today, a comprehensive strategy for tomorrow and a flexible system that creates job skills to match future job opportunities. Simply put, it is time to change both the context and the content of the unemployment debate.

Program Components for a New Employment Policy

The following four-point program would produce an immediate, double-barreled assault at both ends of the unemployment line. It would establish training as the centerpiece of governmental action to manage effectively this new national employment policy.

It is based on the concepts adopted by the Congress and President Reagan with the enactment of the Job Training Partnership Act. I commend you Chairman Quayle, the President, the members of this committee, and the entire Congress for enacting a bill that is correct in principle, and will be effective in practice. The essence of that Act is that the public and private sectors of our economy must unite in partnership to provide for the training and placement in jobs of America's unemployed. The national employment policy I am proposing to you today builds upon that principle.

First, for those people currently drawing unemployment benefits and whose jobs will not come back, we should create a National Employment Assistance Program that would offer a single package of unemployment benefits, training vouchers and immediate job search and relocation assistance. For perhaps a million and a half individuals who are now displaced and many more who will be displaced over the next decade, such a package of employment assistance would be standardized for an "equal deal" for everyone.

Using some of the funds now allocated to benefit payments beyond thirty-nine weeks (Federal Supplemental Compensation benefits) plus additional funding through Title III of the Job Training Partnership Act, this program would provide a package of general opportunity for the future displaced workers: Unemployment Insurance to bridge the transition from job to job; retraining to

improve personal occupational skills; counseling, job seeking and relocation assistance to move the individual from a lost job to a new job. In 1982, while ten million people were unemployed there were over one million skilled jobs that were vacant in this nation. We can substantially reduce the number of current and future unemployed if we can begin to retrain people to fill the jobs that are, even today, available.

What would our unemployed steelworker from Youngstown like to do: continue standing in the unemployment line waiting for a recall notice that will never come, or enter a training program leading to employment as a machinist, for example, a skill in which there are 150,000 job openings today? You know the answer as well as I.

Second, a program of immediate relief is clearly needed for those who are on Extended Benefits, who have exhausted their benefits or who never had any benefits in the first place, who would not qualify for the regular program. I would propose a two year, \$2 billion program that would provide equivalent assistance on a one-time basis to a million individuals in the most dire circumstances.

Third, we must launch a new assault on the front end loading of the unemployment lines that occurs when young people graduate from high school and cannot find or do not have the skills to get a job.

An additional \$1 billion school-to-work transition program could assist nearly one-fourth of the estimated graduating class of 1985 -- perhaps 650,000 youth -- who might otherwise become unemployed. I am particularly excited about this approach since as Chairman of just such a program -- Jobs for America's Graduates, already functioning in eight states -- I have personally seen the success of a school-to-work transition program. It is both inexpensive and highly effective. These funds could be made available to local public-private partnerships, or to school districts to extend the reach, capacity and responsibility of our educational system. Such a program might have prevented the 40 percent of our unemployed who are under 24 years of age from becoming unemployed in the first place.

The Youngstown steelworker's son provides a good example. For years he has planned to join his father at the steel mill after graduation. But there will be no job waiting there; unless he gets some help, he will join the army of unemployed youth. We need a program that will counsel, motivate and help him find a job in an industry that will be looking for willing and capable young people.

To further help local educational agencies, we should redirect the existing \$700 million in federal vocational education funds, supplemented with the existing \$300 million in federal Economic Development Assistance funds, to improve the training facilities and programs of our vocational education system. In order to accommodate the massive retraining effort needed over the next decade, the vocational education system must be expanded and strengthened.

The fourth part of the program is the most difficult -- yet the most necessary. That is to create a new governmental system at the federal, state and local level that can help organize government programs around the principle of employment.

The matter of reorganizing government to manage an effective employment policy is not simply one of reshuffling bureaucracies. Of course, we could restructure the Department of Labor to manage the new employment policy: bring into the department vocational programs from Education, EDA programs from Commerce, and so forth. But the new economic reality and the need to focus our energies on a national employment policy calls for more.

What is needed is a new management mechanism built on the joint public-private partnership concept born in the Job Training Partnership Act of 1982. The management of the new program would be entrusted to a relatively independent board of private and public sector people able to respond swiftly and effectively to the problems and challenges of unemployment without months of debate and the paralyzing influence of special interests.

Such a National Employment Investment Board would be vested with broad authority over employment and training programs. Its members would serve independent, staggered terms, and be drawn from the most senior levels of government and the private sector experienced in the fields of economics, business, labor, education and training. The Secretary of Labor would serve as the Chairman of the Board.

Similarly, Congress -- where eight committees alone must deal with even minor changes in our Unemployment Insurance system, not to mention dozens more involved in employment and training matters generally -- must adapt itself to the new realities of the 1980's. A single Joint Committee on Employment Policy of both Houses should oversee the work of the Board, recommending budget allocations, programmatic changes and related actions to the two Houses and the President.

These two structural changes would permit the federal government to streamline its operational mechanisms and play its crucial role in a new employment policy.

Finally, the federal government should provide small partnership grants to help state and local governments prepare their own employment strategies. Many localities have created effective development strategies -- North Carolina's Research Triangle, Louisiana's offshore oil industry, and Delaware's financial services development are examples. Job creation is often more a local than a national issue, because education, taxation, zoning, and transportation policies are frequently decisive in changing stagnation into economic growth. Our unemployed and our jobs are not on Capitol Hill; federal encouragement of comprehensive state employment policies consistent with the new federal policy is, therefore, a very important part of an overall national employment policy.

The case for the approach I have outlined is compelling on several levels.

First, it shapes an employment and training role for the federal government, marshalling the nation's resources to assist the unemployed by preparing them for new jobs in a changing marketplace. Second, it puts the responsibility to obtain the skills necessary to find a job on the individual, thereby helping people help themselves. Third, it seeks to foster a new relationship between the federal government and the education community by making funds available for school-to-work transition programs and the strengthening of vocational education. Fourth, it

acknowledges that the federal government must work in concert with state and local governments to foster effective community economic development programs. Finally, the plan is characterized by an affordable cost -- perhaps \$3 billion in net new funds in the first year, and less in the future as retrained Americans rejoin the workforce.

But most importantly, the plan brings a new measure of hope and opportunity to three million Americans in its first year of operation -- Americans who desperately need hope and economic opportunity. It gives the unemployed steelworker from Youngstown retraining and a chance at a new job. It gives his daughter and son the help they will need to compete for jobs in the changing marketplace. It gives that American family the opportunity to make tomorrow better than today.

Simply put, America can no longer afford its current policy of billions for income maintenance and pennies for employment training. Our national employment policy must strive to help individual Americans take full advantage of the opportunities of the 80's. It demands a new partnership between government, education, labor and business to create in the classroom, on the shop floor, and in the livingrooms of Youngstown's steelworkers an employment program to make America's workers employable in tomorrow's marketplace.

Thank you.

BACKGROUND PAPERTHE "NATIONAL EMPLOYMENT ASSISTANCE PROGRAM"PROPOSED BY: THE HONORABLE PIERRE S. DU PONT, IV

The following information is provided as background to the speech delivered by The Honorable Pierre S. du Pont, Governor of Delaware, to the National Press Club on January 18, 1983.

It is important to understand that the figures and the number of individuals that might be served and the costs expected are all in approximate amounts.

This background paper is broken into four sections to cover the initiatives outlined in the last half of the Governor's speech:

I. Government Reorganization

- o The Governor proposes a reorganization of the Executive Branch to create a new department based on the major components of the current Department of Labor and the addition of components from the Department of Housing and Urban Development, Commerce and Education, all of which would be overseen by a senior level Board of Distinguished Americans. The Secretary of Labor would serve as Chairman.
- o The following would be the major components of the new organization that are currently in existence: The Unemployment Insurance System, the Employment Service, Trade Adjustment Assistance activities, the Federal investment in Vocational Education, the Employment and Training Administration, the Economic Development Administration and the Urban Community Development Grants Program.
- o These on-going activities of the Federal Government would be placed in a single organization so as to assure maximum coordination of their efforts with each component retooled to support the new employment policy proposed. For example, the Unemployment Insurance System and the Employment Service would be reorganized into the National Employment Assistance Program which would, in addition, have training vouchers of \$1,000 to \$1,250 for displaced workers. These displaced workers would also receive new job search assistance and limited relocation assistance. The UI system would function, as it currently does, providing regular insurance benefits for other workers who are on temporary layoffs.

- o The governing Board of the employment department is designed to create a new partnership between the public and private sectors to help manage and implement the new national employment strategy. Further, the Board would be given additional authority beyond that which currently is provided to the regular departments of the Administration that would allow it to operate with a greater degree of freedom in the implementation and modification of employment policy and employment programs without the need for a counter-productive day-to-day change as is currently the case. The organization would function with the Chairman serving as the Chief Executive Officer as with the Secretary of other departments. Distinguished Americans would be drawn from leaders in major areas of the American economy, but would not represent those areas. Therefore, senior statesmen from the Congress and the Executive Branches of Government along with other officials whose knowledge and background in labor needs, economics, business, education and training would make up this Board of Directors. Actions of the Board would be taken by majority vote.
- o On the Congressional side, similar reorganization would take place by creation of a Joint Committee that would have responsibility to oversee the new department. As a Joint Committee, it would coordinate the thinking and the guidance of the two Houses of the Congress to the new Board while relieving up to a dozen Congressional Committees of their need to oversee small parts of the Federal employment strategy. This Joint Commission is recommended on the basis of its ability to provide a single vehicle for overseeing employment policy and to consider the broad range of employment implications to the new employment policy rather than the piece-meal oversight activities of today.

II. The National Employment Policy Strategy: An Equal Deal

- o The basic thrust of the new employment strategy proposed by Governor du Pont is to bring to bear both current and additional Federal resources to focus on making it possible for the individual American to successfully participate in the process of change anticipated in the private sector well into the twenty-first century.
- o Specifically the Unemployment Insurance System, the Trade Adjustment Assistance Act and the Employment Service would be reorganized into a system of unemployment benefits for a specified number of weeks (26 to 39 as may be most appropriate) for the temporarily laid-off American. For those who are "displaced" workers -- those certified as having been permanently laid-off -- those who anticipate being laid-off for a minimum of six months or those who have been in the UI system for ten weeks with no immediate prospects of a job, will become eligible for the new element of the program -- a training voucher of up to 1,250 dollars.

The individual has the choice to utilize all or only part of the training voucher as he or she may decide. It is important to understand, however, that the equal "deal" is the full extent of the commitment and the responsibility of the Federal Government. Any further benefits would be up to each State.

- o These activities would be delivered through either the State Department of Labor and/or through the local Job Training Boards established under the Job Training Partnership Act of 1982 or other agency as may be decided by the Governor.

III. Infrastructure Development

- o Given the scale of the training and retraining that is essential to individual opportunity in the emerging American economy, the current Federal Vocational Education grant program would be restructured into 1) a matching grant system to build/equip new or enhance existing training facilities and 2) directly fund training programs to meet urgent national skill needs (technicians needed for national defense needs, etc). The nature of the grants and the training would be left to the discretion of the Board each year.
- o The current Economic Development Administration funding would be folded into the new grant training infrastructure development program outlined above to bring total annual funding to the \$1 billion level from existing resources.
- o The UDAG program would have its grants tied, at the discretion of the Board, to the focus and objectives of the national employment strategy: Continuations of economic development projects, training and employment creation would be the goal of future UDAG (long-term) grants.

Costs

- o Depending on the number of weeks of benefits offered (up to 39 or beyond) the added costs for the long-term new National Employment Assistance would range from 0 (benefits in the 39 week range). While new costs could be held to a minimum the new strategy does assume substantial restructuring of the use of current funds. At 39 weeks of U.I., the savings from Federal Supplementary Compensation (approximately 2 billion) should more than offset the new costs, even if success was not achieved in moving the unemployed more quickly off U.I.

IV. New Programs to Reduce Unemployment

- o In order to reduce current unemployment and prevent a portion of potential future unemployment, two new national programs are proposed by Governor du Pont:
 - (A) A program to reach up to 500,000 displaced workers in each of two years who are on extended benefits or have exhausted all their benefits. The program would offer

training vouchers, job counseling, job search assistance and limited relocation assistance immediately to bring these Americans back into the economic system as the recovery gains strength.

- (B) A prevention program for future youth unemployment that would provide up to \$1 billion dollars to transition up to 25% of the graduating class of 1985 from school to work (650-700,000 youth) each year. The program would be focused on those who lack job skills, and/or have other deficiencies that make them prime candidates for the unemployment line. The goal is prospective unemployment without regard to economic or other arbitrary criteria. The funds would be made available to either local school districts or non-profit public/private boards at the choice of the Job Training Boards created by the Job Training Partnership Act of 1982. However, the funds would be provided on a performance basis requiring at least a 70% success rate of successful transition within 9 months after graduation (on-the-job, in the military or full-time training). This would be a permanent program.
 - (C) The State/Local Government Action Reorganization Grants, costing not more than \$100 million dollars on a one-shot basis, would offer Federal leadership, reorganization support and technical assistance to the planning and implementation of reorganized government at the state and local level to put a new priority and focus on employment. It is crucial to the new purpose and objective of government policy to organize government activities at all levels around the principle of employment. In keeping with the general basis of the New Federalism each state and local government would decide for themselves how this could best be done. The Federal government would provide both financial incentives, one model in action and technical assistance to create a similar new partnership between the public and private sectors at the state and local level.
- o Overall new costs would be \$3 billion in year one and two, reducing to \$1 billion in year three as the temporary dislocated worker program was phased out in the third year.
 - o Over 1 million Americans would receive new services immediately under these new programs (and over 2.7 million with the addition of the new National Employment Assistance training/counseling relocation services). Equally as important, these new services will help immediately to reduce unemployment while implementing an employment assistance system that will help individual Americans to participate successfully in the private sector change process. At the same time the net effect should be to significantly add to the productivity and international competitiveness of the American workforce as a whole.

Senator QUAYLE. Thank you, Governor, for offering some new ideas that this subcommittee will certainly contemplate during the discussion of our jobs legislation. You talked about a national employment strategy. I wonder if you could define for me what you think is the current employment strategy of the administration.

Governor DU PONT. I do not believe that we have in America today an employment strategy. We have a great many unemployment programs that attempt to cushion the blow of unemployment. And we should do that. Unemployment is a serious blow for any American family. But at the same time, all our unemployment programs are based on the premise that we are going to tide over an American working family until unemployment ends.

But if the marketplace is changing, if the technical skills are changing, what are we tiding them over to? Unless they have some training, they are not going to be able to get a new job. And so instead of just an unemployment strategy, we need an employment strategy, a training program that prepares people for long-term jobs in a changing marketplace.

So I would say, Mr. Chairman, that we do not have an employment strategy.

Senator QUAYLE. Are you basically—at least the way I understand it—expanding the idea that is in title III of the Job Training Partnership Act, the dislocated worker program? This program for the first time defines a new category of structurally unemployed, the dislocated worker, that is, someone who has no real chance of going back to their occupation or place of employment.

In your first recommendation, are you not basically expanding on that idea? If we are expanding on that idea, then many of these programs are going to be worked out with the Governors and at the local level.

Do you think it is important that Congress continue that concept? Or am I misreading the thrust of your proposal?

Governor DU PONT. No, sir, you are reading the thrust exactly correctly. We are building on the philosophy embodied in the 1982 Job Training Partnership Act, an act that I believe passed the Senate unanimously when it was voted on the floor and for 95, or however many Senators were present, to stand up and say, we agree that employment and training programs have to be run at the local level was an enormous step forward in the thinking of this country.

And my proposal is to build on that concept, to say to the displaced workers of this country, we are going to give you a training voucher, perhaps worth \$1,200, and let you take that training voucher to an educational institution of your choice, a technical and community college, a vocational high school, a private sector employer, a private sector business training program, and learn a new skill.

There are 150,000 machinist jobs in America today that are vacant. A lot of displaced auto workers might be able to become machinists with some training. There are 150,000 nurses that we need in the country where there are vacancies today.

There are many more computer operators and service people that will be needed. There are auto mechanic shortages, but all those jobs require some training. And a training voucher to a dis-

placed worker, while he is receiving unemployment benefits, I think, is the best thing you can do for him or her in the future.

Senator QUAYLE. How would your training voucher work? Would the eligibility be limited to a person drawing UI? How would we define eligibility and which agency will in fact administer this program to give the individual a voucher?

Governor DU PONT. Well, the only administration that you would really need is a determination of who is in fact a displaced worker. And I think that you can set some relatively simple parameters, a requirement that unemployment benefits have been drawn for 12 to 15 weeks, a determination by some group that a job is not likely to return. And in the case of the automobile industry, that is relatively simple; where a plant is closed and there are no plans to reopen it, I think you have made a prima facie case that the individual is a displaced worker.

Once you have made that determination and given the workers the training voucher, then the Government need do no more. The workers takes—

Senator QUAYLE. Where does he get this training voucher? Who is going to give it to him? Where does he pick it up?

Governor DU PONT. You could do it through the Job Training Partnership Act; the councils in the 50 States could make that determination, for example. And once that is accomplished and he has the voucher in hand, then it is a question of selecting a program and attending it. But again, you need some counseling and some assistance there. You just cannot give them the slip of paper.

And that is why in our proposal we assumed a \$1,200 training voucher and about 800 dollars' worth of counseling and assistance for \$2,000 per worker.

Senator QUAYLE. So in other words, where they would go to obtain the voucher and also perhaps counseling and placement assistance would be done in accordance with the PIC plan of each service delivery area.

Governor DU PONT. Exactly.

Senator QUAYLE. And you are going to augment the responsibilities of that local service delivery area to also set up a process where a person could be declared or say that they want to be a dislocated worker?

Then they go down and apply for a training voucher or a voucher for employment or immediate job search and relocation assistance. I wonder if you would also consider having a voucher for the unemployed to use as an incentive for employers to rehire them—that is a feature of our bill—instead of drawing all of their unemployment compensation.

And as you accurately remarked, we really have an unemployment strategy and not an employment strategy. The employment voucher in S. 242 applies just to Federal unemployment compensation, not State unemployment compensation benefits. The voucher would be worth 75 percent of the benefits to which an individual is entitled. The individual would give the voucher to an employer who will hire him, and that employer would be refunded for the voucher. It would be refunded on a quarterly basis to insure that the individual would not just be hired and then dismissed.

I wonder if we might want to extend the voucher concept that you have put in, to include not only training and education, which I think are important, but also to give employers an incentive to hire dislocated workers.

Governor DU PONT. I think that might well work, Mr. Chairman. I did have an opportunity to look through the legislation that you have proposed. To be honest, I am a little concerned that it may work out as the targeted job tax credit did, which was basically used retroactively. Once the accountants got looking at the books and discovered at the end of the year there was a way to get some money back from the Federal Government it did not really work prospectively very well.

But I would have no objection to the concept of taking a portion of that resource up front. I think your idea of allowing workers to use IRA savings for training purposes also makes some sense. Again, there is a slight practical problem in that not very many people are going to have much in their IRA's in the next 2 or 3 years. It is going to take a little time to build up. But in concept, both of those approaches are sound.

Senator QUAYLE. Concerning the voucher versus the tax credit, which concept do you believe has the best chance of working? A lot of people think that if we just give business a tax credit, that will be enough of an incentive to go out and hire dislocated workers.

But as you point out, they may not figure that out or have a real incentive until their accountant says, hey, you ought to hire these people. Furthermore, small businesses, are reluctant to even deal with tax credits or IRS and all the complications of whether they are going to qualify or not qualify—the larger of the small businesses may be able to, but the very small businessman or woman, where a lot of the new jobs are going to be generated will not get involved. I just wonder if we should not really take a serious look at a voucher type of approach. Maybe we should really put into the individual's hands a piece of paper that is marketable and serves as an incentive to go out find a job. That would give them direct communication with the employer, rather than relying on a tax credit.

Have you explored this and do you have any comments about which is preferable, whether it be a voucher program or a tax credit proposal?

Governor DU PONT. Well, Mr. Chairman, you put your finger, in one of your comments, on the greatest problem with the tax credit proposal, and that is that small businesses of this country where perhaps 80 percent of the job opportunities lie today do not much want to deal with the Federal Government, the IRS, tax credits, and so forth.

They are not equipped to deal very well. They do not have a large staff of lawyers and accounts to figure all this out for them, and so I think the tax credit to them is much less useful than a fellow who gets a voucher and gets some training and comes in and says, now, I am ready to come in at the first level as a machinist or an automobile repairman or an air conditioning technician, or whatever.

So I think that the training voucher concept is likely to be more effective than the tax credit. I will just give you one example from

real life. When the jobs for Delaware graduates program was being set up, one of the aspects of it that was very important was a job survey. Where were the jobs to put these young people into?

And so our staff did literally a door to door survey in our State, locating all the employers, the hardware stores, the McDonalds', the automobile plants, and so forth. Many of the small businesses would say to us, well, we are going to tell you about these jobs that we know about, provided you do not tell the Government.

And they did not want someone coming around harrassing them in their business, and we promised them we would not tell the Government. And the result is that the jobs for Delaware graduates program has a better job bank today, I believe, than our State government does.

Senator QUAYLE. Of course, the Government was not the State government they did not want to be told upon.

Governor DU PONT. They did not want to hear——

Senator QUAYLE. It was the Federal Government.

Governor DU PONT. They did not want to hear from any government.

Senator QUAYLE. Any government. OK.

Well, this is going to be an ongoing debate, and I share your reticence to embrace enthusiastically the tax credit. And I know we will have some opposition to the voucher. Yesterday the AFL-CIO opposed both the tax credit and the voucher system. But when we got down to it, they did like the voucher approach, so maybe we can work to ameliorate some of the fears that they may have. I certainly think it is a concept that has not really been tried. And it has a lot of practical merit in really getting these people back onto the employment rolls.

Governor DU PONT. If you are going to provide me with a tax credit, I am going to find a way to use it, but I am not sure it is going to help me hire somebody in the process. And if you are really interested in training people to prepare them for a changing work force, I think the voucher program would be much more effective.

Senator QUAYLE. On your third point, you said "We must launch a new assault on the front end loading of the unemployment line." This occurs with young people when you start talking about the school to work transition program.

Is this a program for counseling, job search, and placement such as you have in Delaware, or are you speaking about a program for on-the-job training, in which people would actually be placed in work settings as long as they were in school and doing well?

And I wonder if you might delineate between these two approaches. I believe your proposal is for counseling and job placement, rather than having the school board or the school agency putting individuals in a job, paying them minimum wage or something close to that, as long as they continue in school.

Governor DU PONT. No. We are not running an on the job training program involving the payment of stipends of any kind. The jobs for America's graduates program is now operating in eight States. It involves about 7,000 kids and 140 high schools in those 8 States.

And we are beginning to get some very good test data back showing the success of the program. The concept is based on looking at the senior class in high school. You see when you first look, some percentage of that class that is going on to college. And they are fine. And they will go on and get higher education.

Then you see another group that has a job in the private sector lined up or they are going into the military, or they have a specific career plan. And that is fine, too. But then there is a percentage of the senior class, maybe 15 percent, maybe 25 percent or somewhere in between, of general education students who have no plans, who have no idea what they are going to do following graduation, and it is that group that without some kind of assistance is likely to become unemployed following graduation.

So we assign in our program a jobs specialist to somewhere in the range of 40 seniors. And that jobs specialist's function is to motivate, to provide job seeking and job holding skills to those individuals, and to do a survey of the jobs that are available, and following graduation, try to place them in a private sector job.

Dealing with that segment of the senior class, we have had about an 85-percent success rate in placing seniors in our program, and that is true in all eight States where it is operating. So we are talking about counseling, about motivational help, about job seeking and job holding skills, not about direct employment.

Senator QUAYLE. The fourth point that you made, concerned reorganization. I notice that you came down firmly for reorganizing the Department of Labor.

I really wonder, to get beyond the politics of it and some of the apprehensions that I know education people would have about placing vocational education in the Department of Labor, if we might not consider extracting training from the Labor Department, vocational education from the Department of Education; some of the Economic Development Administration programs from Commerce, and so forth, and making an autonomous separate agency that would deal with all these related activities. You called it a National Employment Investment Board. But I wonder if you have given any thought to that.

I know you have given it serious thought, and I wonder how you decided to come down firmly placing these responsibilities in the Department of Labor.

Governor DU PONT. Well, Mr. Chairman, I think that your suggestion of an independent agency is excellent, and that in effect is what I am proposing. The only problem with it is it creates yet another bureaucracy and leaves behind vestiges of Labor and vestiges of the Education Department. And that would be fine. If you want to do it that way, I would wholeheartedly support it.

The only reason I made my proposal the way I did is that it kept the size of the bureaucracy relatively constant. And you are right, the vocational education interests will be a little uneasy about this, but I believe they are persuadable.

I think far more uneasiness will arise at the suggestion of trying to abolish some committees or subcommittees within the Congress. And if you look at Lyndon Johnson's Labor Department reorganization proposal and Richard Nixon's Labor Department reorganization proposal, they both went nowhere, not because they did not

have some merits, but because as soon as the House and the Senate saw that things were going to change, they suddenly lost interest. So I think the toughest problem will exist right here in this building, perhaps tougher than what will exist in the Department of Labor and the Department of Education.

Senator QUAYLE. You are, unfortunately, probably right. We have not even started down that road, other than a few public exchanges like this. I have had a number of private exchanges with individuals, and everybody is sort of on board conceptually, but no one has really put that first foot in the water.

Governor DU PONT. Mr. Chairman, if unemployment is the greatest problem America has and if to solve that problem you need a national employment policy, do you not simply have to take the bull by the horns and create the mechanism to get you a policy and run it effectively. And it seems to me that is what we are talking about.

Senator QUAYLE. I wholeheartedly agree.

Now, let me turn briefly to some of the problems we are going to be confronting here in Congress in the next few weeks. You said in your statement, and I certainly agree, that the highway bill of last year is not really a jobs bill. You went down and put into basically five categories what you thought a jobs bill ought to entail: The financing, the flexibility, labor intensive, targeting long term, and funding in a timely manner.

Consider the proposal to accelerate public works projects, military construction, VA construction, et cetera. Is that really a jobs bill?

If we have as a basic assumption, that the Congress and the administration agree that we are going to do something in the short term about jobs—in other words, creating jobs through government activity—what direction should we be going in?

Governor DU PONT. Well, accelerating public works projects is a good thing to do. It brings some stimulus into the economy. It may even create some short-term jobs. But we must not believe that it is an employment program. It is a temporary shuffling about of existing public works construction projects.

And if you want to do that, fine, but do that in addition to a longterm training and employment program. If you just do accelerated public works, you are just postponing your problem.

If the problem is training, if 20 million Americans have to be retrained in the next 15 years, an acceleration of public works jobs or a public service employment program simply postpones the problem. We have got to get started on the real problem. And if you want to deal with the apparent problem at the same time by accelerating public works programs, I think that is a fine thing to do.

Senator QUAYLE. The way that it is understood up here is that there are going to be two phases. The first phase is to respond on an emergency basis, probably through an emergency supplemental appropriations bill. It may be dealt with by the Congress if the Speaker and the majority leader have agreed upon it by the March break, the latter part of March, or the first part of April, which is a fairly fast track because we also have social security to deal with and the budget resolution, which are both important matters.

So if you look at just the short term, we are to have a quick fix or at least showing that the Government is concerned. We want to show that the government has sympathy for the unemployed and is trying its best to respond to the problem while understanding that an economic recovery is the best jobs program.

And furthermore, I agree with you that we need an employment strategy. This is really the second phase. Our national employment strategy is going to be more geared toward training and retraining, and counseling phase 2 will address how we are going to move these people from the unemployment rolls to the employment rolls.

But if we are going to do something within the next 12 months as a countercyclical effort notwithstanding that we are going to deal with structural unemployment—if you have a choice between public works programs, just moving those forward, or accelerating spending for labor intensive programs, where would you come down?

Governor DU PONT. I would pick none of the above. I would put in a long-term employment and training program and extend benefits so that people's benefits do not run out while they are participating. And I would stop there. There is no quick fix. There is no free lunch. There is nothing we can do in the Congress in the next 2 months that is going to bring prosperity to us 4 months after that.

We have had for 20 years an overinflated, underinvested economy, and changing that is not going to be done by any short-term program. So the biggest problem that I see is that you may decide in the House and the Senate to put together a short-term program to relieve the political pressures and not do anything about the long-term problem that is really facing the country, which is a training problem.

Senator QUAYLE. But given the political fact of life that something is going to be done in the short term—the long-term problem, hopefully—I do not think is going to be dealt with in the emergency appropriations bill that is coming down the pike now. From an economic point of view you are right. When Dr. Feldstein was before our committee, he said, even public works, are not really going to prove the economy. to improve the economy. Dr. Rivlin warned in her testimony that there are certain inherent risks involved by any kind of a so-called jobs program that is going to call for more spending.

But the fact of the matter is that the President and the Speaker are talking about jobs bill in the neighborhood of at least \$4 billion, for the short-term. We have promoted funding labor intensive programs at \$2 billion.

From a political point of view—and whether it is trying to save Congress' own jobs, as some have facetiously said—the supplemental appropriation is going to provide short-term relief. But I do agree with you that we cannot take our eyes off the long-term problem.

We are going to do something from a political point of view and just say it is only politics, I am not going to get into a dispute on that point, but it is a political fact of life that we are going to have jobs legislation for the short-term.

My question is: Should we come down in support of public works, or should we really look at more labor-intensive programs, even though they are not the answer to the long-term problem?

Governor DU PONT. Well, as Senator Everett Dirksen used to say, a billion here, a billion there; pretty soon you are talking about real money.

I would notice that for the \$4 or \$5 billion that the Speaker and the President have agreed upon, we could put together an entire employment program, such as I have outlined for the Nation. And before answering your question, I am going to restate my premise: that before you deal with the short-term problem, deal with the long-term problem.

And then if you have additional billions tucked away somewhere, go to work on the other aspect of it. But if you have decided that you have to be political, and if you have decided that there is no way out, I would come down on the side of the acceleration.

Public service employment programs, per se, have proved very expensive: For a billion dollars, you get about 83,000 jobs. Divide 83,000 into 12 million unemployed, and you see the tens of billions of dollars that it is going to cost to go that route.

Those programs are expensive. They drive up the deficit, but most importantly those kind of programs do not provide the recipient of the job with any skills that are liable to be marketable later on. In short, they postpone the problem of training. You do not learn by planting trees and building bicycle paths, as Congressman Simon proposed in his \$60 billion jobs program.

You do not learn skills for space age technology. So accelerate your public works programs, if that will help in the short-term. But do not avoid the long-term problem of training at the same time.

Senator QUAYLE. So you would come down on the side of accelerating the public works, rather than accelerating some of the labor intensive programs.

Governor DU PONT. Yes; I would.

Senator QUAYLE. And accelerating the labor-intensive programs, the public service aspect, you just feel from past experience has not been that productive.

Governor DU PONT. When you indeed look at the experience in the last two recessions, you see that there is a lagtime in most of those public service employment programs of somewhere between 5 and 15 months. And indeed most of the programs have been put into effect, as a practical matter, after the recession has ended.

And indeed yesterday's Wall Street Journal wrote an editorial which you may have seen remarking that you knew the recession was over because the Congress was about to adopt a public service employment program.

Senator QUAYLE. I did see that, and I think they went on to say that they wanted the Speaker and the President to keep upping the bid so Congress will do what Congress usually does and load it all up and the President would be able to veto it. And, therefore, there would not be any so-called public service employment.

From the Wall Street Journal's point of view, that would certainly be good.

I guess that in summation I would certainly agree with you, that we have got to work on structural unemployment.

Is there a category that we are perhaps not dealing with in our training and employment process? We have sort of touched all the veins, and I am just trying to think if there is one that would come to your attention that the Congress has not really focused on.

Governor DU PONT. You have the problem of the displaced worker, as in the automobile and steel industries. You have the problem of the new entrant from school that is likely to become unemployed without some help. Then you have, I think, two other groups. One is what is referred to as the structurally unemployed, who I would refer to a little differently, as people who do not have the educational skills they need to get a job.

These are the welfare mother examples, the people whose education did not provide them with any skills, and that is almost more an educational and day care kind of a problem than it is an employment problem at the moment. And that is a very difficult—that is the most difficult problem to deal with.

The other part of the problem is the new entrants in the female half of the work force. For the first time in the history of this country, more than half the work force is female.

Women are coming into the work force in tremendous numbers, and they too need some educational skills to be able to compete. But I think you can design an effective training program that will deal with all of that except perhaps the undereducated structural unemployment, and that is, as I say, almost more of an education problem and the most difficult to deal with.

And I would deal with that last.

Senator QUAYLE. Governor, thank you very much. I certainly have enjoyed our conversation and your input. I am sorry that other Members are not here, but there are two other committees that are competing for our time. One is the Budget Committee, which a couple of our Members are on, and the other is the Public Works and Environment Committee. Mrs. Lavelle, I believe, is testifying there this morning.

I know your statements are directed more toward the long period, but you know how we operate up here. It is always the short term: "What have we done lately?"

But I thank you for the support that you gave us with the Job Training Partnership Act and your comments today. Perhaps we may well devise, whether it is in this subcommittee or with the help of the administration, a national employment strategy. I concur with you about that. It is certainly lacking in visibility. If it is there within the bowels of the bureaucracy and on a few papers that shuffle back and forth, it is unknown to me and obviously unknown to the public.

Governor DU PONT. Mr. Chairman, I appreciate the opportunity to testify. You have always been very kind in giving me that opportunity. I am not at all concerned that some of your colleagues are not here because I know full well if you and I could write the employment and training program for this country, we could straighten out all the problems with no difficulty whatsoever.

Senator QUAYLE. Only you and I believe that and know it. [Laughter.]

Thank you very much, Governor.

Governor DU PONT. Thank you, Mr. Chairman.

Senator QUAYLE. Next, from the U. S. Chamber of Commerce, Mr. Jeffrey Joseph, Vice President for Domestic Policy.

STATEMENT OF JEFFREY H. JOSEPH, VICE PRESIDENT, DOMESTIC POLICY, CHAMBER OF COMMERCE OF THE UNITED STATES, ACCOMPANIED BY MADELEINE B. HEMMINGS, DIRECTOR OF EDUCATION, EMPLOYMENT, AND TRAINING, CHAMBER OF COMMERCE OF THE UNITED STATES, ERIC J. OXFELD, DIRECTOR, UNEMPLOYMENT AND WORKERS' COMPENSATION, CHAMBER OF COMMERCE OF THE UNITED STATES, AND ANDREW A. MELGARD, MANAGER, HUMAN AND COMMUNITY RESOURCES, CHAMBER OF COMMERCE OF THE UNITED STATES

Mr. JOSEPH. Thank you, Senator Quayle.

Joining me today will be some of my colleagues who I hope you will welcome also. They will hopefully be very helpful in the answering of any of your questions from one range of the spectrum to another.

First I would like to commend you for the outstanding leadership you have brought to the Congress in making sure that the Jobs Training Partnership Act is now law of the land today so we have a mechanism in place, that we will be in a position to do something about the country's retraining needs.

We enjoyed working with you on that, and we hope to work closely on many other jobs training issues as we continue to move through this Congress and in the future.

But for the record, let me introduce myself and my colleagues. I am Jeff Joseph, Vice President of Domestic Policy for the Chamber. On my right is Madeleine Hemmings who is our Director of Education, Employment and Training. on my immediate left is Eric Oxfeld, Director of Unemployment and Workers' Compensation, and on my far left is Andy Melgard, the Manager of our Human and Community Resources Division.

I would like to have our formal statement submitted for the record, and I would like to just take this opportunity to summarize that statement at this time.

Senator QUAYLE. Your entire statement will be incorporated in the record.

Mr. JOSEPH. Thank you, Senator.

Let me say at the outset that it is our belief that economic recovery from the back-to-back recessions and sustained economic growth will eliminate cyclical unemployment. However, additional measures, other than economic stimulus will be needed to reduce structural unemployment without increasing inflation.

Now, I think it is important to dwell on some of the current demographics because politics has, as you have said, consumed Washington. Let us look at what is happening in the work force today. The population of this country as of last month was 233 million; the total labor force is 112.2 million, up 1½ million from 1 year ago.

Total employment today stands at 100.8 million; some 11.4 million are unemployed, or 10.2 percent of all workers. Now, during the past year, the increased unemployment of 2.1 million was

caused principally by 1.5 million new entrants into the labor force, and a shift in employment, which resulted in the loss of an estimated 1.4 million blue-collar jobs.

I would also like to point out that employment continued to rise for white collar and service workers. Now, let us examine employment patterns in the last major recession from November 1973 to March 1975. In that last recession, employment bottomed out at 85.2 million in March 1975. In the first 2 years of economic recovery, employment increased to 90.8 million by March 1977.

This was an increase of 5.6 million jobs, which averaged 234,000 new jobs a month. By May 1981, employment had risen to over 101 million, an increase of almost 16 million jobs in a little over 6 years. So bearing in mind the recent historical record, let us look at what needs to be done for the balance of this decade.

First, to achieve high levels of employment in the eighties, three problems have to be considered. First, the cyclical bulge in unemployment caused by the recession, which involves up to 5 million jobs must be eliminated and can only be eliminated by economic recovery.

Second, jobs must be found for new entrants into the labor force. The increase in the labor force is expected to average about 1.6 percent for the eighties, or anywhere from a net increase of 1.5 to 1.8 million jobseekers a year.

Third, and this is what I think everyone is focusing on, the structurally unemployed must be helped. The disadvantaged, most often young people, who lack sufficient skills to become employed, must be offered training opportunities and more mature and skilled workers who have permanently lost jobs in declining industries, usually need counseling and retraining for new careers.

In addition, a better trained, highly motivated, and self-disciplined labor force will be needed as the economy continues to shift from an industrial to a high-tech base. Now, all told, some 16 million jobs will be needed in the next 7 years. And the statistics that I recited from the 1974 recession indicate that such job creation is achievable. In fact, the current recovery is off to a good start, as private employment rose by 335,000 jobs last month, with no Government subsidy, and if I might add, those jobs will yield revenues to the Treasury and reduce transfer payments.

Such job creation would have cost the Treasury \$5 billion to subsidize 339,000 jobs. Our major goal is to continue with this kind of private-sector job creation through economic recovery without increasing inflation.

Let me just pause for a few seconds and say a few words about inflation. I know that everyone agrees that the unemployment problem is this country's No. 1, major issue right now. But it was not that long ago that everyone was focusing on inflation. And while we have inflation down to around the 3.9-percent range today, that sounds awfully good compared to where it was 2 years ago. It is worth pointing out that the last time inflation in this country got down to 3.9 percent was in 1971, and at that time President Nixon imposed wage-and-price controls because that was too high.

So it is all relative. As a matter of fact, if we accept a 5-percent inflation rate for the next decade, the average family worker's

income will continue to erode as will that of all people who work and people who do not work. A \$10,000 car will cost \$16,300 10 years from now if we just accept 5-percent inflation.

So it is very important to keep our eye on the inflation side of the issue, too, and figure out ways to stimulate the economy without reigniting inflation.

On page 4 of our formal statement are basic principles that the U.S. Chamber endorses to further this goal of economic recovery.

Also contained on page 4 are references to formal exhibits 1 and 2 of our statement. Exhibit 1 details several dozen specific actions which the Federal Government can pursue to stimulate economic recovery. Primarily these call for the removal of Federal entitlements to economic growth. Most of these are in the regulatory or legislative area.

Exhibit 2 identifies somewhere in the neighborhood of \$20 billion in additional budgetary reductions that the chamber supports beyond what the Reagan administration has submitted to Congress.

Now, I would like to direct my remarks to the various legislative proposals before this committee and before the Congress. We are aware that administration and congressional leaders have been discussing a \$7.2 billion emergency package, of which \$2.9 billion is for a 9-month extension of supplemental unemployment benefits.

The bulk of this program, we understand, would involve moving up about \$4 billion of public works spending from fiscal years 1984 and 1985 to 1983. We find these problems with that proposal: First, it would increase the deficit at a time when the deficit, everyone seems to agree, should be reduced.

Second, most of the jobs to be created would be high-paid jobs falling under the Davis-Bacon Act. The annual cost of each such job would be more like \$26,000 than \$15,000. In our opinion, it would be far better to repeal Davis-Bacon and reduce the deficit.

Third, because of—and this is something very practical—because of contracting delays and bidding procedures, and environmental review and citizen participation requirements, there is no reason to expect any significant increases in construction employment for at least 6 months.

Further, there is no guarantee that currently unemployed construction workers will be the ones hired, and certainly there is little likelihood that displaced workers in major industries, such as steel and autos, will get the jobs. And, of course, unskilled teenagers cannot qualify for skilled construction jobs.

Now, let me just say that I do not want to make it sound like we are against public works. We supported the 5-cent-a-gallon user fee last fall because we believed that the infrastructure problems are there. But that bill had a mechanism to pay for the repairs.

Our concern at this time is that deficit-financed public works programs and acceleration of them may cause more problems than they solve. And we do believe that Government can play a constructive role in making laws that will help reduce unemployment. And we feel that our exhibit No. 1 will spell out a number of specific instances where Federal legislative action can make a difference.

We are also concerned with proposals to add extra weeks of unemployment compensation; to convert unemployment compensa-

tion to a voucher system and to divert State unemployment tax receipts to retraining or for purposes other than payment of UC.

These proposed changes will not create a single new job, except perhaps by expanding the bureaucracy needed to police them. They will extend the time individuals remain unemployed, according to statistics, and lead to more fraud and abuse in a system which the Government's own study shows pays out more than one-third of its benefits erroneously. This will add directly to the Federal deficit, create a further strain on an already financially strapped administration of the unemployment insurance program, and finally, they will eventually require higher payroll taxes that will delay expansion of employment as recovery reaches full swing.

With regard to \$300 million or so for humanitarian aid, we would support that type of program if the Congress finds it necessary.

Regarding some of the specific proposals in your bill, Senator Quayle, S. 242. We support adequate funding for title III of the Job Training Partnership Act to aid displaced workers. The requirement that every major Federal procuring agency set goals for procurement in labor-surplus areas is a sound one. There is also merit in a proposal for easing Pell grant qualifications for displaced workers who seek further education or training in new careers.

We support the existing law allowing unemployment compensation claimants to continue to draw benefits while on approved training programs, but we feel the States should retain their present authority to approve such training programs. In this area, we support the proposal that disqualifies claimants who refuse suitable free training, but payment of unemployment benefits in a lump sum we feel would be impossible to police.

We also support additional funding of employment assistance such as job counseling and intensive placement services for the unemployed. We feel it is shocking to discover only one-half of the unemployment tax provided to run the U.S. Employment Service, is spent on services to unemployment insurance claimants. Diversions of these funds from their basic purpose is a poor choice of priorities.

As for the \$2 billion in additional funding for existing labor-intensive programs, as I said, we have reservations about all deficit-financed Federal jobs programs at this time.

If I can just summarize quickly, we believe economic recovery is here. All statistics show that. The benefits of recovery are imminent. Employment is increasing already, and last month, as I said, we created 339,000 jobs in the private sector.

The overriding goal of Congress must be to support efforts that will increase permanent jobs creation and to avoid politically attractive programs that will eventually impede sound and sustained recovery.

Thank you, Senator.

[The prepared statement of Mr. Joseph follows:]

STATEMENT
on
UNEMPLOYMENT RELIEF PROPOSALS
to the
SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY
of the
SENATE COMMITTEE ON LABOR AND HUMAN RESOURCES
for the
CHAMBER OF COMMERCE OF THE UNITED STATES
by
Jeffrey H. Joseph
February 23, 1983

I am Jeffrey H. Joseph, Vice President, Domestic Policy, of the Chamber of Commerce of the United States. With me today are three U.S. Chamber staff members: Andrew A. Melgard, Manager, Human and Community Resources Division; Madeleine B. Hemmings, Director of Education, Employment and Training; and Eric J. Oxfield, Director of Unemployment and Workers' Compensation.

The U.S. Chamber welcomes this opportunity to discuss its recommendations to relieve the hardship caused by current unemployment levels.

The Chamber of Commerce of the United States is committed to the encouragement of sound policies which will promote high levels of employment. Current levels of unemployment, both cyclical and structural, must be reduced. Economic recovery from the back-to-back recessions and sustained economic growth will eliminate cyclical unemployment. Additional measures, other than economic stimulus, will be needed to reduce structural unemployment without increasing inflation.

BACKGROUND

The Current Employment Picture (January, 1983)

The population of the United States was 233 million in January, 1983.

The labor force totaled 112.2 million, up 1.5 million from January, 1982. This represents 64.1 percent of the adult population 16 years of age and older. It excludes members of the armed forces stationed abroad and persons institutionalized in hospitals, nursing homes and prisons.

Total employment was 100.8 million. Some 11.4 million were unemployed, or 10.2 percent of all workers.

During the past year, the increased unemployment of 2.1 million was caused principally by the 1.5 million new entrants into the labor force and a shift in employment which resulted in a loss of an estimated 1.4 million blue collar jobs while employment continued to rise for white collar and service workers.

It is estimated that some 40 percent of current unemployment is cyclical, specifically caused by the recession and reduced economic activity. The remainder is frictional unemployment, including persons who voluntarily quit their jobs, and structural unemployment, including the disadvantaged who lack sufficient skills and the displaced who lost their jobs because of changing technology.

- About 39 percent of the unemployed are under age 25. Teenagers, those under age 20, represent 16.5% of the unemployed, and about half of the unemployed teenagers seek only part-time jobs.

The Last Major Recession (November 1973 - March 1975)

In the last major recession, employment bottomed out at 85.2 million in March, 1975. In the first two years of recovery, employment increased to 90.8 million by March of 1977. This was an increase of 5.6 million jobs or an average increase of 234,000 jobs a month.

By May of 1981, employment had risen to over 101 million, an increase of 15.9 million jobs in a little over six years.

Jobs Needed in the Eighties (1983-1989)

To achieve high levels of employment in the 1980s, three problems have to be considered.

First, the cyclical bulge in unemployment caused by the recession, which involves up to 5 million jobs, must be eliminated by economic recovery.

Second, jobs must be found for entrants into the labor force. The increase in the labor force is expected to average about 1.6 percent for the 1980s, or anywhere from a net increase of 1.5 million to 1.8 million job seekers a year. This increase will not be as great as in the 1970s when the post World War II baby boom swelled the numbers. However, it is obvious that sustained economic recovery will be needed to provide for the continually growing labor force.

Third, the structurally unemployed must be helped. The disadvantaged, most often young persons who lack sufficient skills to become employed, must be offered training opportunities. More mature and skilled workers who have permanently lost jobs in declining industries usually need counseling and retraining for new careers.

Overall, a better trained, highly motivated and self-disciplined labor force will be needed as the economy continues the shift from an industrial to a high technology base.

All told some 16 million or more jobs will be needed in the next seven years. The statistics on the recovery from the 1974 recession indicate that such job creation is achievable. The major problem is how to accomplish this through sound economic recovery and growth without increasing inflation.

U.S. CHAMBER RECOMMENDATIONS

Broad Action Needed

To assure high levels of employment in the 1980s, both economic recovery from the current recession and sustained economic growth are needed. Achieving these goals requires unwavering support of the following fundamental policy goals:

- o Reduce both personal and business taxes to stimulate saving, investment, work effort, and productivity.
- o Reduce the growth of federal spending and entitlement programs.
- o Reduce the burden of federal regulations.
- o Encourage a moderate and steady monetary policy.
- o Regain international leadership by aggressively trading in world markets.

Specific Actions Recommended

Exhibit I details several dozen specific actions supported by the U.S. Chamber which will further stimulate economic recovery and growth. These proposals require both legislative and regulatory action. In many cases, they call for the removal of federal impediments to a sustained economic recovery. If adopted, they would significantly accelerate permanent job creation in the private sector.

FY'84 Budget Savings

Exhibit II shows FY'84 budget savings of \$25.8 billion beyond what the Administration has proposed. Curbing the continued growth of federal expenditures is essential if the momentum of economic recovery is to be maintained, and it is the key road to increased permanent job creation in the private sector. Therefore, we encourage Congress to give full consideration to these additional budget savings -- and on a "fast track."

THE WRONG SOLUTION

Unemployment always lags behind the business cycle and is worse when recovery is imminent. In such periods, when pessimism is extreme, proposals for public works programs to create jobs are always made. The idea is that the federal government should hire the unemployed temporarily for make-work jobs.

These schemes never get fully started until recovery has arrived. Furthermore, current proposals would only increase the federal deficit at a time when it needs to be reduced.

Current proposals would add seven billion dollars, more or less, to the deficit with the promise that they will create 200,000 or more temporary jobs. These jobs will cost from \$15,000 to \$26,000 each.

Actually, the statistics from the 1974 recession show that this many jobs are created in a month or two once economic recovery gets rolling. At \$15,000 per job, it would cost the Federal Government \$5 billion to create 339,000 jobs. But, private employment rose by 339,000 jobs in January, 1983, with no government subsidy, and, indeed, these jobs will yield increased revenues to the federal government, as well as state and local governments, and will also reduce transfer payments. This is the kind of job creation America needs. We do not need more emergency jobs programs that will increase the deficit, impede the recovery, and merely transfer unemployment from one segment of the economy to another.

These conclusions are confirmed by testimony before this Subcommittee by Alice Rivlin and Martin Feldstein and by the 1983 Economic Report of the President.

1983 Economic Report of the President

In the section of the report entitled, "Public Works Employment Programs," it is stated:

"Direct provision of public works jobs by the government is a politically popular response to cyclical unemployment during recessions. Available evidence suggests, however, that public works programs adopted in past recessions proved counterproductive, and that the inherent capability of public works programs to combat cyclical unemployment is limited."

The major conclusions of the report are that public works programs are too late and too little; they do not yield a net increase in employment because

they so often merely substitute for outlays that would otherwise have taken place at the state and local level; they have an adverse effect on private sector employment; they do not appreciably help the unemployed because the jobs are of such short duration, an average of 4.1 weeks of employment under the 1972 Public Works Impact Program; and because very few of the jobs are actually filled by unemployed workers -- only 12 percent of all such jobs under the more recent 1976 and 1977 public works programs.

Congressional Budget Office

CBO Director Alice Rivlin has testified before this Subcommittee that, in effect, both public works and public service jobs programs increase the federal deficit. They threaten long-term recovery. If taxes were raised to offset the cost, they would reduce the deficit, but would "merely transfer unemployment from one segment of the economy to another," not increase the level of employment. Rivlin stated that public works activities tend to offer high wage, high-skilled opportunities, the effect of which is felt mostly after the recovery. Public service jobs are more immediate at lower wage levels, but they just shift jobs to the federal payroll.

Chairman of the Council of Economic Advisers

Chairman Martin Feldstein testified:

Let me now summarize what I have been saying about cyclical unemployment. First, an economic recovery and sustained expansion is the only way to get a substantial and lasting reduction in cyclical unemployment. Second, programs aimed at creating jobs by direct public hiring or Keynesian expansion of demand are inefficient and may be counter-productive. Third, a rescheduling of government spending on maintenance or capital investment from future years to 1983 may be a desirable way of reducing the real social costs of providing government services.

Small Business Perspective

The small business community agrees with the above conclusions.

It is well known now that small business has been, and will continue to be, the major source of new private sector jobs.

The U.S. Chamber's small business members have argued again and again that high interest rates are the most serious barrier to business expansion and the increased employment that normal business growth provides. Federal borrowing is a major drain on capital markets which tends to keep interest rates higher than necessary. Federal job creation programs of any kind mean increased federal borrowing and some crowding out of the private sector from the capital market. Obviously, small business will be most severely affected by this crowding out -- which is the worst thing that could occur if you are really seeking job creation.

VARIOUS LEGISLATIVE PROPOSALS

Various proposals of an emergency nature, designed to relieve unemployment, are before Congress. They would increase the deficit anywhere from \$2 billion to over \$60 billion. Certainly, they require careful analysis but the bulk of them follow "the wrong solution" approach.

The Bipartisan Proposal

Administration and Congressional leaders have been discussing a \$7.2 billion emergency package, of which \$2.9 billion is for a nine month extension of supplemental unemployment benefits.

The bulk of the program would involve moving up about \$4 billion of public works spending from fiscal years 1984 and 1985 to 1983.

We find these problems with that proposal:

- o It would increase the deficit at a time when the deficit must be reduced.
- o Most of the jobs expected to be created would be high-paid jobs under the Davis-Bacon Act. The annual cost of each such job would be more like \$26,000 than \$15,000. It would be far better to repeal Davis-Bacon and reduce the deficit by perhaps \$3 billion.

- o Because of contracting delays, bidding procedures, environmental reviews and citizen participation requirements, there is no reason to expect any significant increases in construction employment for at least six months. Further, there is no guarantee that currently unemployed construction workers will be the ones hired, and certainly there is little likelihood that displaced workers in major industries, such as steel and auto, will get any of the jobs. And, of course, unskilled teenagers cannot qualify for skilled construction jobs.

We do, of course, need to rebuild our infrastructure which is one of the reasons why we supported the over \$5 billion per year increase in highway user fees. Projects required to facilitate commercial and industrial job creation and ensure the public health and safety, such as water and sewer projects, solid waste disposal facilities and road and bridge repair, are necessary. Our concern, however, is that the money advanced here may be used for marginal projects such as recreation centers, museums, government office buildings, auxiliary military facilities, and other community projects. We cannot rebuild our economic strength and productive capacity from the construction of this type of project.

We are also concerned with proposals to (1) add extra weeks of unemployment compensation (UC), (2) convert UC to a voucher system, and (3) divert state unemployment tax receipts to retraining or purposes other than payment of UC.

These proposed changes will not create a single new job, except perhaps by expanding the bureaucracy needed to police them. They will extend the time individuals remain unemployed and lead to more fraud and abuse in a system which the government's own studies show pays out one third of benefits erroneously. They will add directly to the federal budget deficit. They will create a further strain on the already financially-strapped administration of the unemployment insurance program. Finally, they will require higher payroll taxes that will delay expansion of employment as recovery reaches full swing.

As for the \$300 million in humanitarian aid to provide food, clothing and shelter for the truly destitute, we support this if Congress finds that it is necessary in addition to the myriad of programs already available.

EMPLOYMENT OPPORTUNITIES ACT OF 1983 (S. 242)

In Senator Quayle's bill, we support adequate funding for Title III of the Job Training Partnership Act to aid displaced workers.

The requirement that every major federal procuring agency set goals for procurement in labor surplus areas is a sound one.

There is merit also in the proposal for easing Pell Grant qualifications for displaced workers who seek further education or training for new careers.

We support the existing law allowing unemployment compensation claimants to continue to draw benefits while in approved training programs, but the states should retain their present authority to approve such training programs. In this area, we support the proposal that disqualifies claimants who refuse suitable free training. But, payment of unemployment benefits in a lump sum would be impossible to police.

We also support additional funding of employment assistance such as job counseling and intensive placement services for the unemployed. It is shocking to discover that only half of the unemployment taxes provided to run the U.S. Employment Service were spent on services to unemployment insurance claimants. Diversion of these funds from their basic purpose is a poor choice of priorities.

As for the \$2 billion in additional funding for existing labor intensive programs, we have reservations but note that it is less costly than other programs and would not create additional bureaucracy.

SENATOR HATCH'S PROPOSAL

Senator Hatch proposes a \$1.5 billion two-year block grant to the states for retraining dislocated workers for existing jobs. This idea has merit, but we would prefer to see it under Title III of the Job Training Partnership Act.

CONCLUSION

Economic recovery has begun. The benefits of recovery are imminent. Employment will increase. The overriding goal of Congress must be to support efforts that will increase permanent job creation in the private sector and to avoid "politically attractive" programs that will impede sound and sustained economic recovery. To that end, we urge this Subcommittee and the Congress to adopt our recommendations.

EXHIBIT I

COMPREHENSIVE PROGRAM ON UNEMPLOYMENT PROBLEMS

General Area	Actions Needed	Type of Action Needed	Rationale for Action	Potential Benefits
Clean Air Act: Construction Ban	Eliminate the sanction that prohibits new industrial construction and major modifications regardless of a facility's ability to improve air quality.	Legislative	The "construction ban" prohibits industry from expanding or modernizing because air quality of the area is not up to national standards, even though the project may use more up-to-date pollution controls, and provide a net reduction of emissions.	The Chamber conservatively estimates that several billion dollars worth of proposed new or modified industrial construction is being currently forestalled by the construction ban. Hence, the estimated number of jobs that would be created by elimination of the construction ban is between 100,000 and 300,000.
Coal Slurry Pipelines	Grant eminent domain to coal slurry pipelines.	Legislative	Increased competition, resulting in lower transportation costs to increase use and export of coal. Keep coal, hence electric power, economical.	Jobs - 46,000 construction, 100,000 manufacturing, 5,000 operations. (Source: Alliance for Coal and Competitive Transportation)
Community Development/Urban Renewal	Enterprise Zones	Legislative	Free enterprise approach to urban development.	Experiment to increase jobs in depressed areas.

General Area	Actions Needed	Type of Action Needed	Rationale for Action	Potential Benefits
Education	Reauthorize the Vocational Education Act so that federal dollars are used as incentives for the voc-ed system to make its program directly respond to specific employer needs - including initial training of young people and retraining of a mature workforce.	Legislative	To make better use of a \$6.5 billion annual investment - which cannot now be shown to make a significant difference in earnings for students who complete secondary voc-ed and those who complete the general education curriculum. (Same is not true at the post-secondary level.)	Reduced unemployment among youth - now 18%, and 47% for minorities - by providing them with job skills that are compatible with present and future industry needs.
Employment	Reorganize the U.S. Job Service to make it a state system with a small federally run interstate system. Require that the Service's primary mission be job placement assistance to (1) those drawing unemployment insurance benefits and (2) other unemployed people.	Legislative	The Employment Service now spends \$1 billion a year. There is general agreement that it does not efficiently help those who need jobs, who are drawing unemployment benefits and other income transfer payments. A major organizational and management overhaul could greatly increase services to the unemployed and reduce the length of time people draw income transfer payments.	More effective job placement.

General Area	Actions Needed	Type of Action Needed	Rationale for Action	Potential Benefits
Energy	Reform licensing process for nuclear plants.	Legislative	Eliminate duplicative regulations. Action could reduce licensing time by 6 years, assuring the continued development of nuclear power.	New direct jobs potential is 2,000 to 5,000 per reactor built. Each reactor operating has 700 jobs. (Source: Atomic Industrial Forum and Detroit Edison)
Energy	Enactment of natural gas deregulation legislation.	Legislative	Removing federal price controls would end market disorders caused by the National Gas Policy Act and would spur exploration and production.	Budget Savings - New jobs result from increased exploration and development of natural gas.
Environmental Law	Reform/rewrite of major environmental laws to provide continued strong pollution control without costly economic side-effects caused by regulatory confusion and delays, and unnecessarily complex statutory requirements.	Legislative and Regulatory	It is important to streamline environmental laws and regulations to eliminate unnecessarily complex provisions that cause permitting delays and constrain or prevent business' ability to modernize or expand plants and facilities.	The Council on Environmental Quality and the U.S. EPA estimate the cost of industrial compliance with existing environmental laws will total \$300 - \$400 billion (1979 dollars) during the 1980's. Constructive reforms could save billions of dollars and free funds for productive, job-creating investments.

General Area	Actions Needed	Type of Action Needed	Rationale for Action	Potential Benefits
Health Insurance	Prevent new taxes on costs of employee health plans.	Legislative	To prevent larger costs for labor, particularly any that would reduce adequate health care for the labor force.	Prevent increased labor costs that could increase unemployment.
International Trade	1. Develop DISC alternative that is GATT legal, revenue neutral and protects small and medium sized business.	Legislative	To help maintain competitive position of U.S. exporters and keep inter-company pricing rules simple.	DISC generates at least \$1.24 of revenue for every \$1.00 of tax deferred, to up to 7 billion dollars for increased exports. Estimated 280,000 jobs at stake given 40,000 for every 1 billion of exports. (Department of Commerce figures.)
	2. Defeat Domestic Content bills for autos and other products.	Legislative	Domestic Content rules for auto industry would 1) trigger trade war with massive retaliation against U.S. exports, and 2) would fail to address real causes of problems in auto industry.	Congressional Budget Office estimates that bill would create 38,000 auto jobs by 1990 but at cost of 104,000 jobs lost because of foreign retaliation against U.S. exports. Net job loss equals 66,000.

General Area	Actions Needed	Type of Action Needed	Rationale for Action	Potential Benefits
	3. Restore Eximbank lending & guarantee authority for FY'83 to FY'82 levels. Assure FY'84 levels are at FY'82 levels or more. FY'82 levels = \$4.4 billion for loans and \$9.2 billion for guarantees and insurance. FY'83 levels proposed by Administration = \$3.8 for loans and \$8.0 for guarantees and insurance.	Executive and Legislative	To promote exports and neutralize foreign subsidized export financing.	Estimates of employment supported by exports are 40,000 jobs for every \$1 billion. Every \$1 Eximbank support generates \$1.69 in export sales. By conservative reasoning, FY'83 cut could mean \$2.991 billion lost exports, translating into 119,640 lost jobs.
	4. Modification of Export Administration Act.	Legislative	To provide for a greater degree of predictability in the export control process by establishing more rigorous procedures for the enactment of trade sanctions.	Job creation - one job for each \$25,000 of U.S. exports of manufactured items.
Job Training Partnership Act	Activate Title III, programs for displaced workers early in 1983, rather than in October 1983.	Legislative (appropriate)	Allow state governments to immediately set up an organization of employers and others to direct job search, placement and training assistance to displaced workers.	Cost - \$150 to \$200 million. No new structure needs to be created. Immediate action is possible. Would aid unemployed skilled workers, who have lost their jobs in declining industries, to receive counseling and retraining for new career opportunities.

General Area	Actions Needed	Type of Action Needed	Rationale for Action	Potential Benefits
Job Training Partnership Act	Continue to encourage business leadership of state and local structure.	Voluntary	Makes public training programs directly responsive to employer needs and gives disadvantaged and dislocated workers specific training for known jobs.	Makes efficient use of \$4 billion already committed to providing marketable skills for the disadvantaged and retraining for the displaced.
Labor Law	1. Repeal of Davis-Bacon	Legislative	To eliminate waste, inefficiency and unfairness arising from the Federal Government mandating high wage levels for government construction.	Budget Savings - \$2 billion annually. Job Creation - 100,000 estimated.
	2. Repeal of Service Contract Act	Legislative	To eliminate waste, inefficiency and unfairness arising from the Federal Government mandating high wage levels for government service contracts.	Budget Savings - \$100 million estimated. Jobs - 5,000.
	3. Repeal of Walsh-Healey Act	Legislative	8-hour a day overtime restrictive for federal contractors, prohibits flextime/compressed workweek schedules, adds unnecessary paperwork costs.	Budget Savings - \$50 million. Jobs - 2,500.

General Area	Actions Needed	Type of Action Needed	Rationale for Action	Potential Benefits
	4. Enactment of Youth Differential to Minimum Wage Law	Legislative	To encourage employment of teenagers and provide entry level job opportunities for our youth; also benefits consumers because services provided would increase. Minimum wage at 75 or 85% of current \$3.35 per hour level for 16 to 19 year olds. New hires would help reduce teenage unemployment.	Jobs creation estimates at up to 50,000 jobs.
Leasing Public Lands	Increase access, on-shore and off-shore, for extraction and production of fuel and non-fuel mineral resources.	Administrative and Legislative	Will retain and expand U.S. industrial activity for exploration, extraction and smelting of fuel and non-fuel minerals; prevents export of these jobs; returns some to us.	Lease payments to Treasury. Increased industrial activity. For the 12 months ending 7/82, 380,000 related jobs have been lost. (Source: Bureau of Mines)
Small Business	Aiding Small Business Capital Formation and Retention and thereby increasing employment with the following nine actions:			

General Area	Actions Needed	Type of Action Needed	Rationale for Action	Potential Benefits
	1. Implement the new Small Business Revitalization Program to stimulate further private investment in small business. 2. Promulgate the new Subchapter S provisions of the Internal Revenue Code. 3. Encourage early publication by the Department of Labor of a new Plan Asset Rule governing pension fund investment in small firms.	State officials, bankers, business leaders and chambers of commerce need to work with SBA and HUD to find small business development projects to support. Regulatory Exploratory	New program designed to achieve goal of investing \$5 billion into small businesses in 21 states, creating new permanent private sector jobs. Program not expected to require any additional expenditure of federal funds or hiring of additional federal employees. Proposals from 2 to 9 would offer millions of small employers new marginal incentives to add "that one additional employee" that could multiply in numbers and start quickly to bring down the rate of unemployment.	It is estimated that the program will produce 300,000 new permanent private sector jobs within four years. Since small business is the outstanding job creator, programs that aid small business will lead to job creation in the private sector.

General Area	Actions Needed	Type of Action Needed	Rationale for Action	Potential Benefits
	4. Explore mechanisms to pool the risks of small business investments in both debt and equities to make such investments more salable to institutions and private investors. Include in such mechanisms more attractive means for pension funds to consider small business equity, investments and to provide for long-term debt financing.	Exploratory		
	5. Repeal the recent "top heavy" pension rules applied by TEFRA.	Legislative		
	6. Repeal interest and dividend withholding.	Legislative		
	7. Further reduce capital gains tax levels.	Legislative		

General Area	Actions Needed	Type of Action Needed	Rationale for Action	Potential Benefits
Tax Policy	8. Enact a "roll-over" provision for tax treatment of equities in small businesses.	Legislative		
	9. Re-write the debt-equity rules issued pursuant to Section 385 of the Internal Revenue Code to enable smaller firms to comply easily with the law.	Regulatory		
	1. Retain third-year tax cut.	Legislative	To remove disincentives to work, save and invest.	\$33 billion of added personal savings and consumption will increase employment.
	2. Reduce the capital gains rate.	Legislative	Create more venture capital, enhance small business formation and expansion.	Reduction will lead to new investment and new business formations that will create jobs.

General Area	Actions Needed	Type of Action Needed	Rationale for Action	Potential Benefits
Unemployment Compensation	1. Charge Federal Supplemental Benefits debt to federal general revenues (FSB was temporary extension of duration 1974-78).	Legislative	To repay advances that should never have been an employer liability; will speed up expiration of payroll surtax.	Increase employment by reducing total labor costs of businesses.
	2. Prohibit net benefit liberalization while states are in default on loans.	Legislative	To prevent states from raising benefits when they can't afford existing benefits; will encourage benefits reform leading to earlier return to work and reduce future payroll tax increases.	Increase employment by reducing total labor costs of businesses. Budget savings - \$1 billion.
	3. Tighten eligibility for Federal Supplemental Compensation.	Legislative	To eliminate payments to individuals with weak workforce attachment, etc. on strike, etc; will reduce incentives to avoid work.	Increase employment by reducing total labor costs of businesses. Budget savings - \$100,000. Reduces disincentives to take jobs.
	4. Require claimants to participate in programs teaching how to look for jobs.	Legislative or Regulatory	To teach claimants how to find their own jobs and to disqualify claimants who are not interested in working; will reduce benefit payout, payroll taxes.	Increase employment by reducing total labor costs of businesses. Budget savings - \$1 billion. Reduces disincentives to take jobs and reduces cost of labor.

General Area	Actions Needed	Type of Action Needed	Rationale for Action	Potential Benefits
Workers' Compensation	1. Longshoremen's Compensation Act Amendments.	Legislative	To reform highly-abused benefit program for maritime workers, whose costs make employment prohibitively expensive.	Reduces cost of hiring and reduces work disincentives.
	2. Reform of Federal Employees' Compensation Act.	Legislative	To reform benefit program for federal government workers; will reduce incentives to avoid work.	Reduces cost of hiring and reduces work disincentives.

EXHIBIT IIRECOMMENDED ADDITIONAL FY84 FEDERAL BUDGET SAVINGS
NOT IN THE ADMINISTRATION PLANEstimated Savings
in MillionsDEPARTMENT OF ENERGY

- Eliminate the Consumer Appliance Efficiency Standards Program/DOE Efficiency Testing Procedures.

\$2

The Department of Energy has found that the appliance efficiency standards will not result in a significant conservation of energy. Although no funding has been requested for standards development, elimination of the program will result in savings of the monies requested for the development of efficiency testing procedures under the existing standards. The private sector should be left to voluntarily manufacture energy efficient appliances as consumers demand them. The DOE/FTC testing procedures are unnecessary.

DEPARTMENT OF COMMERCE

- Transfer CPSC (Consumer Product Safety Commission) functions to the Department of Commerce.

\$10

Health and Safety requirements can be better supervised at less expense in a department with specific business expertise.

FEDERAL TRADE COMMISSION

- Close four regional offices. The work of these offices can be coordinated out of Washington.

\$2

SOCIAL SECURITY

- Extend Disability Maximum Family Benefit to retirement and survivors cases.

\$200

Benefits for families of retired and deceased workers can now actually exceed those workers' net take-home pay.

Estimated Savings
in Millions

Proposal would extend the 1980 maximum limitation on benefits to families in disability cases to retirement and survivor cases. This would return the program closer to its original purpose of a "floor" of protection.

- Require "Medical Only" determination of disability.

\$200

Workers can now qualify for disability benefits on combination of medical and non-medical factors, such as age, education and work experience. More than one-third of disability cases age 60 to 65 involve non-medical factors.

Proposal would limit qualification to medical factors alone, thus restoring program to original purposes.

- Increase Disability Insurance waiting period to six months.

\$200

Under a 1972 liberalization of the program, the waiting period for disability benefits was reduced from six to five months on the assumption that ample funds would be available.

Proposal would restore the six-month waiting period previously in law. This conforms to the terms of most private disability insurance programs.

- Increase disability requirement for insured status to 30 quarters.

\$200

Workers may now qualify for disability benefits even if they have been in the work force only 20 out of the past 40 quarters. Therefore, a person could be out of covered employment for 5 years and still qualify.

Proposal would set the minimum at 30 out of the past 40 quarters, thus more closely tying benefits to the principle that they are replacing for wages recently lost.

Estimated Savings
in Millions

- Eliminate children's benefits in early-retirement cases.

\$100

Children under 18 or under 22, if in school, are now eligible for benefits on the basis of a retired parent's wage record. Thus a retiree with a child, receives a dependent's benefit, whereas a retiree with no children gets only his own benefits.

Proposal would end this inequity in early-retirement cases and thus encourage the worker to continue work until 65.

- Change benefit computation point from age 62 to 65.

\$10

The benefit formula treats early retirement the same as waiting until age 65. Early retirees at 62 get 80% of what they would get at 65. The proposal would discourage early retirement by assigning zero value to the age 62-65 period, thus reducing benefits in such cases and encouraging individuals to work until age 65.

- Increase Bend Points by 50% instead of 100% of wage increases for 1982-1987.

\$25

In 1977, the "bend points" (dollar amount referred to in the weighted benefit formula) were made subject to automatic wage indexing. This change was adopted in legislation intended in part to offset the cost impact of earlier legislation and the faulty benefit computation procedure adopted in the 1972 amendments. However, benefits levels today remain disproportionately high (by about 10 percent) compared with the pre-1972 levels.

Proposal would restore the traditional relative benefit levels for future beneficiaries by increasing the "bend points" by 50% (instead of 100%) of increases in average wage earnings for the years 1983-1988, after which the 100% factor would be restored to the formula.

Estimated Savings
in Millions

- Require prognosis of 24-plus months of disability. \$100

Workers now seeking disability benefits must show that disability claimed will exceed 12 months or will result in death. The 12-month test, enacted in 1965, replaced a test of "long-continued and indefinite duration" in prior law.

Proposal would restore the original intent of the law, requiring that the prognosis of disability be of long duration, at least 24 months, a more reasonable definition of total and permanent disability.

- Set 3-month limit on Retroactive Social Security Benefits applications. \$150
- Integrate Social Security Retirement Benefits with Workers' Compensation, and Disability Benefits with product liability judgments involving work injuries. \$1

To avoid over-compensation, certain types of Social Security benefits are integrated with payments from other sources (e.g., disability benefits with workers' compensation, retirement benefits with unemployment compensation). Several duplicative sources of compensation have been overlooked, and closing these loopholes would create more than a dollar-for-dollar savings because beneficiaries would have greater incentive to take jobs.

- Accelerate State and Local Government Social Security Tax Deposits. \$25

This would require that state and local governments remit Social Security taxes on a more timely basis as already required for the general business community.

Estimated Savings
in Millions

DEPARTMENT OF LABOR

- Reform Federal Employees' Compensation Act by incorporating the Workers' Compensation Benefit Schedule of the state where the claimant works or lives. \$150

Administration has proposed less far-reaching reforms that would save only \$17 million. State benefit schedules are substantially lower than the federal benefit schedule.

- Prohibit the use of Federal Unemployment Tax revenues for U.S. Employment Services applicants who already have jobs or for other functions not related to unemployment claimants or exhautees. \$12

The limited resources of the Employment Service are better spent on applicants who are out of work. Concentration on reemployment of job-losers will reduce expenditures on unemployment compensation and other benefits and will raise greater revenues from existing payroll taxes.

- Enact further Unemployment Compensation reforms by: \$350 *
 1. Reducing work disincentives in federal-state extended and supplemental benefits by:
 - a. Reducing weekly benefits to 75% of the amount payable during the last week of regular unemployment compensation, and
 - b. Limiting combined regular and extended benefits to 75% of wages earned during the qualifying period.
 - c. Disqualifying individuals out of work because of a labor dispute.
 - d. Denying eligibility for supplemental benefits to individuals who are not in approved retraining.
 2. Requiring all employers to contribute to the cost of program administration.

* Items 1a, b and d are in accordance with Policy Declarations on Unemployment Compensation, but never specifically reviewed by the Board of Directors.

Estimated Savings
in Millions

- Initiate management changes to reduce volume of improper payments of Unemployment Benefits (e.g., by requiring Extended Benefits Claimants to participate in classes teaching how to locate and interview for jobs).

\$10

Studies conducted for the National Commission on Unemployment Compensation suggest that as much as a third of all benefits are improper payment. Experimental programs teaching claimants how to find and interview for jobs have saved money by reducing the average duration of unemployment and by disqualifying individuals who are not interested in working or who already have unreported jobs in the "underground economy." Much greater savings could be achieved if states voluntarily implement this proposal when the claimant first starts drawing compensation.

SMALL BUSINESS ADMINISTRATION

- Eliminate the Small Business Development Center Program.

\$14

These centers in academic institutions do more to further the development of scholars than small business people.

PRESIDENT'S OFFICE OF CONSUMER AFFAIRS

- Reduce the special White House staff and return functions to agencies.

\$1

Consumer problems with specific industries are best resolved by that federal department or agency responsible for regulating that industry.

OFFICE OF PERSONNEL MANAGEMENT

- Impose tighter management controls to correct for overgrading of White Collar federal employees.

\$500

The incorrect classification of jobs in the public sector is directly related to mismanagement. A study conducted by the Civil Service Commission, now the Office of Personnel Management, concludes that there was a significant upward bias in the job classification system. The study found that 14.8 percent of the jobs were misclassified. Eleven percent of the positions were overgraded and three percent were undergraded, meaning 78 percent of the mistakes place employees in a

Estimated Savings
in Millions

higher grade than they should have been while only 22 percent were classified at lower grade levels. The cost of these errors was \$500 million in salaries. Many officials believe the rate of misclassification is actually higher.

- Eliminate dual pay for federal employees who are Military Reservists during their annual two weeks of military training. \$5

Federal civilian employees, who are reservists in the armed forces, receive both their civilian and military pay during their two weeks of annual active duty. This is paid in addition to their regular vacation. This dual pay practice is generally not followed by private employers. There are several ways of approaching this issue including giving individuals the greater of the two, either their military or civilian pay, or permitting individuals to take paid vacation time during their periods of active duty.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

- Consolidate the Community Development Block Grant (CDBG) and the Urban Development Action Grant (UDAG) Programs. \$200

Better coordination in the urban economic development programs of HUD is needed. Bringing the discipline of the UDAG program to the CDBG program would be helpful.

- Reduce spending on Research and Development by 25%. \$5

Given our current budget deficit, HUD should focus its research program on only those matters of immediate concern.

DEPARTMENT OF EDUCATION

- Eliminate the Adult Education Program. \$100 *

Literacy Program can better be handled through Job Training Partnership Act where basic education is attached to job training and which emphasizes literacy development.

- In accordance with Policy Declarations on Education, but never specifically reviewed by the Board of Directors.

Estimated Savings
in Millions

- Reduce Student Loan Subsidies.

\$500

Guaranteed Student Loans are the fastest growing, most expensive form of federal post-secondary student assistance since 1978 when Congress removed the family income ceiling on them. Government Student Loans are interest-free while students are in school. In 1982 approximately 3.4 million students borrowed \$7.9 billion. The interest costs subsidized by the government are \$2.9 billion. Defer the in-school Government Student Loan interest rather than forego it and reduce demand by 25%.

- Reduce funding for Elementary and Secondary Education Block Grants by 20%.

\$80

- Eliminate federal in-school interest payments for Graduate Students.

\$100

Government would save the money and students would pay the interest only after graduation in the form of higher monthly payments. If any had difficulty making the payments, the payments could be negotiated based on actual ability to pay.

DEPARTMENT OF DEFENSE

- Reduce the Administration's proposed Defense Budget.

\$7,000 *

The U.S. Chamber supports adequate levels of spending to provide a strong national defense. While the Chamber does not review specific defense spending items, we recognize various experts who believe that defense spending can be reduced. The Administration's original budget plan as endorsed by the Chamber two years ago, called for a 7% rate of real growth in defense spending. The FY84 budget contains a 9% increase. The Chamber believes the initial proposal is more realistic in light of current budget deficits. Beyond the \$8 billion reduction in spending accepted by Defense Secretary Weinberger, an additional \$7 billion saving should be made for a total reduction of \$15 billion.

- Department of Defense should rely on contracting out to a greater extent.

\$350

This would result in lower cost to the military. A task force on government competition indicated that savings of as much as 35 percent could be realized by shifting many activities currently being performed in-house to

* No current Chamber policy.

Estimated Savings
in Millions

contractors. Specific functions currently being performed by the Department of Defense that could be shifted to the private sector are equipment maintenance and overhaul (electronic, automotive, aircraft, etc.), bus service, laundry, dry cleaning, custodial services, refuse collection, food services, fueling services, repair services, building and ground maintenance, motor pools, guard service, R & D testing, photographic services, communications, ADP operations and programming.

While some of these functions are performed both in-house and by contractors, greater use of contractors would result in greater savings. A goal of one billion dollars in additional contracting out for fiscal 1984 would result in potential savings of as much as \$350 million.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

MEDICARE

- Mandate universal coverage under Medicare, including noncovered state and local government employees. \$824

GENERAL GOVERNMENT

- Adopt one-year de-indexing of all federal spending programs (July 1, 1983-July 1, 1984). Assumes Administration will ask for a six-month freeze. \$7,000
- Repeal Davis-Bacon provisions for federal construction projects. \$Up to \$3,031
- Repeal the Service Contract Act \$600

Like Davis-Bacon, the SCA artificially imposes government mandated wages on government service contracts. It is unnecessary and should be repealed.

- Repeal the Walsh-Healey Act. \$250

Walsh-Healey, by preventing government contractors from using flextime/compressed workweek arrangements on the federal contracts without paying overtime, adds to the cost of these contracts. Application of the Fair Labor Standards Act (FLSA) 40-hour workweek standard provides more than adequate protection.

Estimated Savings
in Millions

- More contracting out for services.

\$2,600

A GAO report that examined the office cleaning operation of the General Services Administration indicated it cost the government 50 percent more for GSA to clean government offices with its own in-house staff than with contractors, and nearly twice as much for its landlords to clean leased federal offices.

"Low productivity and high wages are the primary causes for the cost differentials" the GAO concluded.

STARTING 1980 WAGE RATES

	<u>Atlanta</u>	<u>Boston</u>	<u>Chicago</u>	<u>Washington</u>
GSA	4.57	5.17	5.56	4.97
GSA Contractors	3.72	3.97	5.69	4.31
Private Sector	3.10*	3.95	4.63	3.10*

The above GAO data indicated the government was paying 40 to 60 percent more than private contractors would charge for doing the same work. In addition, the productivity rate in terms of number of square feet per hour cleaned was less for government employees than for contractors.

Programs Savings of up to:	\$24,907
Interest Expense Outlay Savings from 1984 Deficit Reduction:	<u>\$934</u>
Total Savings:	<u>\$25,841</u>

* Minimum Wage in 1980.

Senator QUAYLE. Thank you very much, Mr. Joseph. And I welcome your staff members. Madeleine Hemmings is well versed on our Job Training Partnership Act. She gave us a lot of help, as well as others.

I might just ask you the same question that I started out with Governor du Pont. Can you identify what the national strategy for employment is in this country, beyond the general economic recovery to which you alluded and for which everybody hopes?

Mr. JOSEPH. I believe that the basic mission that the U.S. chamber has—if you look on the cover of our testimony, you will see a nice fancy eagle, and it says: "Let's rebuild America in the Eighties." And that has been our logo since 1979, and it has been based on the premise that this country—

Senator QUAYLE. But you got it from 1969.

Mr. JOSEPH. Well, no, we went through a decade—we went through several decades of unfortunate economic consequences and perhaps some ill-conceived Federal programs which put the business community in a rather reflective mode by the late seventies.

And they were pushing for a desire to change the way Washington and Government have operated. And they thought it was time to turn the tables, so to speak, and try and put more reliance on the private sector for economic development.

And so our platform for "Let's rebuild America" eventually became very similar to what the Reagan administration embraced as a party platform, a belief that by cutting taxes to stimulate economic opportunity, we will create economic growth and must also cut Federal spending to reduce the deficit. The deficits we have been running year after year drain the financial market. To cut regulatory impediments, to make sound and reasonable regulations, but not ones that are burdensome. To have a constant, steady growth of the money supply, something that would not be stop and go and something that would not be inflationary, and to increase—we use the term "Yankee trader ingenuity," going out and selling abroad to create more export opportunities.

All of those parts by themselves is our let's rebuild America program, and we feel that that program will bring tremendous employment opportunities for everyone.

Senator QUAYLE. I certainly agree with that. That is consistent with the Chamber's position and also with the administration's approach, to macroeconomic policies.

What I am trying to do is to break that down into selected groups. Do you agree with me that we have a problem with the structurally unemployed in this country?

Do you see that the structurally unemployed have gained in percentages, as Martin Feldstein has pointed out? Do you accept that as fact, that the number of structurally unemployed has increased and will be a continuing problem in the 1980's?

Mr. JOSEPH. I accept as a fact that structural unemployment is a very real problem, a very severe one. I think that we are fortunate to have the Jobs Training Partnership Act in place as a vehicle that will allow us to start addressing that problem and I do believe that there is probably a need for a still greater addressing of that situation.

Let me just say parenthetically that I am from—born, raised, and grew up in Youngstown, Ohio. And I have watched for over 20 years a town die because of lack of economic development and because of, in some instances, foreign competition, poor Federal policies, and perhaps poor management at times. But I am aware of a lot of people I grew up with and their parents who do not know what to do and do not know how to do it, and no one is showing them how to train themselves for something else.

So I do believe that there is an opportunity for business and government and labor to all work together to find ways to break through some of the impediments that exist.

Senator QUAYLE. Do you think that we ought to have a well defined national strategy to deal with the structurally unemployed and particularly the dislocated worker? Do you believe that that would serve a useful purpose?

Mr. JOSEPH. Yes, I do. And I know that in the private sector there are a number of groups that are working with government at all levels trying to bring that about. As a matter of fact, there is a program that will be taking place shortly in Pittsburgh that the National Alliance of Business will be cosponsoring with a number of groups, including us, on displaced workers, bringing in government officials from all levels, trying to talk about how we can all get together voluntarily and see what we can suggest.

If the suggestion becomes perhaps another Federal program, so be it. But I do believe there is a need for everyone to come together and talk about the issue.

Senator QUAYLE. In pursuing that need, do you agree that we ought to elevate this to public discussions among Congress, the administration, the Chamber of Commerce, other business entities, or labor organizations, to formulate a comprehensive strategy focusing on the dislocated worker and the structurally unemployed.

Mr. JOSEPH. I do. I would like to have Madeleine Hemmings give you some of the thinking of our Education, Training, and Manpower Committee, which meets regularly on these subjects.

Ms. HEMMINGS. I think that we have not got a final plan to sit here and say, well, here, it should look like this, this, and this, as Governor du Pont did earlier.

But I think that we are seriously examining the relationship, as you described earlier, of both the retraining of the structurally unemployed that can be done under JTPA, and the reauthorization of the Vocational Education Act. And we are going to ask tomorrow for Congress to look very carefully at this piece of legislation and see how it really should be brought together with other efforts and that it be designed to provide a much more flexible work force.

We are also going to ask that the vocational education structure that exists be redesigned to work with the structurally unemployed, both the displaced worker and the disadvantaged, and also simply to look at the skills shortages that are accruing. We have that problem as well. The problem of employers, in fact, need an overall view, rather than simply narrow views. In some cases, constituencies that are sitting saying, this is my part of it; this is somebody else's part of it.

We welcome your leadership and hope that we can continue to work constructively with you on this type of thing.

Senator QUAYLE. I am sure that we will and hopefully we can come up with something that is comprehensive in our approach, not only by consolidating the training and vocational education aspects, but to establish a little bit of stability and guidance on where we ought to be going. Take these individuals, whether in Youngstown, Ohio or Gary, Ind., that are out of a job and are not going to go back to their former occupations. We need to see what kinds of new skills, new opportunities, new economic development are needed. I certainly think the spirit of the Job Training Partnership Act, which placed training and employment, at the local level, is the way to go with the explicit partnership with the private sector.

And that is the first time any legislation has placed really a tremendous responsibility on the private sector. I know that the Chamber has been very active around the country in trying to get the councils formulated, and trying to get business involved in these councils. If we do not get their involvement and their support and they won't accept the tangible responsibility that we gave them, then the program is not going to live up to our expectations.

I think you heard the discussion between Governor du Pont and be on the idea of tax credit versus a voucher. I really believe that we ought to give preference to the voucher type of approach. I feel that putting a voucher in the hands of the unemployed serves as an incentive to that individual to go out and seek employment, it is an incentive, obviously, to the employer. They are going to be reimbursed. The cash flow would help out, although not, perhaps, to the great extent of saving business's, but it would be an incentive.

I wonder if you might have some general comments to make about those two approaches—the tax credit versus the voucher. You heard us discuss the problems, and I am sure you know well how small businesses are reluctant to deal with Government, meaning the IRS, or to get into the complication of the tax code. I know the Chamber and other groups would like to have tax simplification. I certainly believe that we ought to be moving in that direction.

I just wonder if you might have some comments you might give us on those approaches.

Mr. JOSEPH. Senator, our board met just about 2 weeks ago and talked about this issue, and the issue of chamber support for a general job tax credit was brought to the board by our Council of Small Business. In the past, our Small Business Council has talked about this issue from time to time, and when they talked about some of the specific targeted jobs tax credits which have been on the books—there would be more people talking against them than in support of them because they found in time they did not work or they could not find the people or did not understand them or it was not well publicized, or whatever.

But this time the suggestion came from our council that we support a general jobs tax credit because that would be the best alternative to any sort of jobs program or any sort of program that would require the Federal Government to establish a bureaucracy to put a piece of paper in anyone's hands, or whatever.

It would at least let the Government know that there was an incentive out there for people to hire. And it was that logic that specifically got the issue on our board agenda and got our board to

adopt that as the position that we support the general jobs tax credit.

We do not have—we did not take up the issue of the voucher, specifically, but the logic behind getting that jobs tax credit on the agenda was to avoid another Government program.

Senator QUAYLE. Did you get into the merits of a tax credit versus a voucher type of approach? Was that discussed in the meeting, and if so, how did you come down on either side?

Mr. JOSEPH. As I said, I tried to imply that was not specifically discussed. But again the logic behind—as I understand the voucher system, at some point in someone's unemployment duration, they would be eligible for a voucher, and someone would issue that voucher, and then that voucher could perhaps be bargained.

The logic behind our Small Business Council recommending to the chamber that we support a general jobs tax credit at this time was to stop Government programs, additional Government programs that may or may not work from going into place. They wanted to feel that they could assume the responsibility for hiring more people, if possible, and if the tax credit would make a difference, fine. If someone cannot afford to hire someone else, however, I do not care if they have a voucher or do not. They are going to be thinking about their own long-term ability to keep that person on the payroll, and whether or not that person will be doing service that substantially benefits the whole chain of that business.

Senator QUAYLE. So, in other words, you really did not get into the merits of the two approaches, the tax credit versus the voucher. Really, as I was trying to say, if you want to do something in the area of hiring the unemployed, go ahead and pursue the tax credit, do not create some new Government agency.

Mr. JOSEPH. That is how the discussion went at our board. But I would like to have Eric Oxfeld elaborate on some of the conversations he been to at our council.

Senator QUAYLE. I would be interested in any comments you can give us comparing the two approaches.

Mr. OXFELD. Senator, our Council on Unemployment Compensation met last week and went into both the President's voucher proposal, which is very similar to your own, but includes the tax credit element. They had reservations over, very strong reservations about any kind of a system, either a voucher system or a credit system, which would create a premium for being unemployed longer.

In other words, the possibility for abuse—an incentive for a claimant to stay out of work for an extra number of weeks. When the applicant comes in who is in his 37th week and is not eligible for either the voucher or the credit, the employer is apt to say to him, well, come back and see me in 3 weeks when I can get credit if I hire you.

That is the kind of administrative headache that the system does not need right now.

We are not opposed to retraining. There is not any money in the unemployment insurance trust fund to do it, and your general approach of providing general revenues through title III of the Job Training Partnership Act is very sound. But either a voucher or a tax credit which will add a premium for being unemployed longer

could create many headaches and in fact may even create further discrimination against the largest single group, the people who are new entrants and have never gotten into the unemployment insurance system in the first place, the minorities, and women, and so on.

And I am not sure if that is a policy that you would like to see furthered, either.

Senator QUAYLE. So, in other words, you are not particularly enthralled with either idea, either the tax credit or the voucher?

Mr. JOSEPH. Well, we do support a general jobs tax credit. Our board took that position about 2 weeks ago. Now, the group Eric was talking about are the specialists who handle unemployment compensation for organizations around the country, and that is their perspective of how this issue is developing, as they get to talk about more of the details.

Mr. OXFELD. We are distinguishing a general jobs tax credit as opposed to a tax credit targeted on people who are FSC claimants.

Senator QUAYLE. So, in other words, your tax credit would go to—

Mr. JOSEPH. Anyone.

Senator QUAYLE. Anyone.

Mr. JOSEPH. Any new hire.

Senator QUAYLE. Any new hire.

Mr. JOSEPH. Right.

Senator QUAYLE. Anybody have any idea what is the cost of that program? I hate to ask a question like that.

Ms. HEMMINGS. I think the Senate Small Business Committee is looking at that question, and I do not think they thought it was going to be terribly high.

I mean, it was in the area of \$1 to \$2 billion, and it was for a credit after you had met the previous year's number of people on the payroll. In other words, after 105 percent, you would begin to get a limited credit per person hired. And that is, I think, the idea that the Board was supporting and that the small business people thought was an excellent idea.

They have spoken frequently of the new jobs tax credit as something that they like very much, which existed, I think, before the target jobs tax credit. They are less happy with the targeting than they are with a straight credit.

Senator QUAYLE. Let me ask just one final question. As far as looking at the problem of employment, sort of broken down into two categories, phase 1 and phase 2, short term, long term, do you agree with me that really our priority ought to be toward the long-term unemployed, the structurally unemployed, trying to get that person off the unemployment rolls and onto the employment rolls through training and retraining, through economic recovery, rather than the emphasis on the short term, whether it would be accelerating labor intensive programs or public works programs. Should that be our national priority?

Mr. JOSEPH. Yes, and again I will try and emphasize that our statement opened with our concern that the cyclical unemployment problem will be cured by economic recovery. We feel that economic recovery is underway and perhaps going faster than most people estimate and will go farther than a lot of people are projecting.

That should take care of the, quote, "short term problem." The structural problem, the longer term problem is something that we are still going to need to do a lot of work on.

Senator QUAYLE. And also, given the political fact, not the economic fact, that in the short term, that the Congress and the President, the administration have agreed to do something in the short term, that is, through the emergency supplemental; if I listened to your testimony and read it properly, that your preference would be, not to do either one, but if something is going to be done, that you would come down on perhaps accelerating some of the labor intensive programs, rather than going ahead with the acceleration of public works.

Is that a fair conclusion I have made?

Mr. JOSEPH. I do not believe so, Senator. I think that there may be a political realism that surrounds Washington today, that that political realism last summer said that we needed to pass a tax increase. And a lot of people took that position, and now the Congress is being flooded with mail, and newspapers that supported that tax increase at that time said it was not the right idea.

I think that our position is that the short term problem is being cured right now by economic recovery. It is conceivable that some acceleration—if you want to try and pin me down—some acceleration of a public works program may make sense on a case-by-case basis because we recognize that there are some infrastructure problems that have to be taken care of, as long as there is a mechanism to pay for it. Our concern is if you pay for it now, we want to make sure you do not pay for it again next year because that does not do much to taking care of the deficit problem.

Senator QUAYLE. I am just trying to get a handle on this. I am just reading on page 9 of your testimony, remarking on S. 242, "As for the \$2 billion in additional funding for existing labor intensive programs, we have reservations, but note that it is less costly than other programs and will not create additional bureaucracy."

Mr. JOSEPH. Well, that is just a numerical fact that the number is smaller than most other people are talking about, but we still—given our preference that none of them, deficit financed, should be happening at this time, we would, I guess, be less chagrined to see the smaller number go through—because our concern is the deficit, more so than our belief that any of these programs, whether they be public sector or public service, are really going to take care of the kinds of problems that exist.

They are perhaps quick fixes; perhaps they are not.

Senator QUAYLE. I realize that you would prefer to not do anything, but I think that when you get the President and the Speaker of the House to agree that something is going to be done in the short term, that is a really good political sign that something is going to be done. And, therefore, the argument comes down, well, if we are going to do something, what should we do.

Do you have any preference? I sort of read that if there is a preference, to keep the figures as low as possible, that would lead you to conclude that \$2 billion is perhaps better than the \$4 billion; but also that perhaps the labor intensive programs would be a better vehicle to focus on if we have to do something in the short term, rather than public works.

Mr. JOSEPH. Well, that is true. And that is a realization that that would guarantee that some of the people who really need the jobs would get them. And that is not always the case if you accelerate the public works program.

Senator QUAYLE. So that would be your preference, given the fact that you had to do something. I realize—and the record will show unequivocally that your preference is to do nothing.

Mr. JOSEPH. Right.

Senator QUAYLE. But if you had your preferences you would let the economy recover; it is slowly recovering. But if we are going to do something and you agree that we ought to look at labor intensive programs as a priority over the public works program.

Mr. JOSEPH. Right.

Senator QUAYLE. That is accurate?

Mr. JOSEPH. OK.

Senator QUAYLE. Thank you very much.

I enjoyed your testimony; I enjoyed working with you, and I am sure this will not be the last time that we will be discussing employment strategies and training and retraining.

Mr. JOSEPH. Thank you, Senator. It is our pleasure to be here.

Senator QUAYLE. I appreciate you coming.

Next is a panel: Camp Fire, Inc., Arnold Sherman; Corporation for Enterprise Development, Robert Friedman; and the National Youth Employment Coalition, Ken Nochimson. Mary DiGonia is standing in for Ken Nochimsom.

Mr. Sherman.

STATEMENTS OF ARNOLD E. SHERMAN, NATIONAL EXECUTIVE DIRECTOR, CAMP FIRE, INC., ROBERT E. FRIEDMAN, PRESIDENT, CORPORATION FOR ENTERPRISE DEVELOPMENT, AND MARY DeGONIA, NATIONAL YOUTH EMPLOYMENT COALITION

Mr. SHERMAN. Good morning, Mr. Chairman. I appreciate the opportunity to speak before you today. I have submitted my full testimony, and hopefully it will be included in the record.

What I would like to do this morning is briefly summarize the most salient points of that testimony.

Camp Fire is a 73-year-old child and youth serving organization reaching over one-half million girls and boys in 35,000 communities nationwide. In the process, Camp Fire enlists the aid of over 100,000 volunteers and a thousand professional staff in 330 local councils.

Camp Fire has a strong history of involvement in programs to prepare youth to value work and develop skills needed in the workplace. In fact, Camp Fire's watchword, Wohelo, stands for work, health, and love, our central organizational themes.

Most recently, in 1980 and 1981, Camp Fire operated a 2-year Department of Labor youth employment project that served over 6,300 youths, most of whom were disadvantaged, minority, and other special need youth.

The project later served as a model for other national youth serving organization projects. A copy of that project final report has been made available for all committee members.

Given the complexity of the employment situation and the economic crisis we still face, the task the committee has before it in properly responding is an unenviable one. Although not as serious, but just as unenviable, is the task I now have in less than 5 minutes to advise on what to do about our Nation's serious unemployment problem. But I am willing to take a crack at it.

By the way, Camp Fire's motto is give service, and I guess that is what we are doing here this morning.

Senate bill 242 is a laudable attempt to target national resources. However, it simply just does not go far enough or deep enough, particularly in the area of assistance to young workers, for the following reasons: Although youth are not excluded from service, the bill does not give youth any priority or provide any significant incentives for assisting young workers.

From 1978 to 1982, 2.5 million jobs were lost for young people between the ages of 16 and 24. Teen unemployment is rising almost twice as fast as adult, and minority youth unemployment, three and a half times faster.

In taking a look recently at what has been happening across the board in Government programs to youth, there seems to have been a clear and conscious policy of cutting youth programs as the economy worsens. All we have to do is take a look at what is happening in Government youth employment, child abuse, runaway youth, and juvenile justice programs, and we are looking at a decrease in funding right across the board.

Camp Fire has been committed to, and I would hope that this committee is committed to the philosophy of building our young people, rather than repairing adults. Both advantaged and disadvantaged youth are losing the opportunity to develop skills, build their careers and futures.

Think for a minute how terrifying it is for a teenager today, lacking meaningful job prospects, unable to afford college or even vocational training, many with parents out of work, with hopes for career and life fulfillment replaced with concerns about their next meal, and in many communities, their very survival.

Second, the bill does not target the disadvantaged. Sooner or later we must bite the bullet and deal directly with structural unemployment problems, if we are to see any real long-term payoff from any employment program. As we are well aware, the more advantaged the participant, the greater the likelihood of that person getting help on their own or jobs on their own.

Those pushed into unemployment during a recession surely suffer. There is no question about that. But not as great as those facing poverty and basic deprivations. Scarce resources must be targeted on those most in need, providing the best long-term bang for the buck.

Taking a look, for example, at the Job Corps history of serving the most disadvantaged young people in our society, Job Corps has increased earnings of participants by 10 percent, reduced the changes of being on welfare by 5 percent, and crime reduction alone offset 40 percent of the program's total operating costs.

Third, the bill makes no effort to link employment and education; we should require in any bill that is before this committee's scrutiny inclusion of a training and education component from the

very beginning. When this has been done in the past with other bills, there has been noticeable increase in post-program employment and earnings, even for dropouts. We must take a look seriously at preparing the work force for the new growth occupations, and in times when jobs are just not there, we have to make serious commitment to enhancing basic competencies.

As you know, we have in this country probably the largest group of untrained, marginal group of young people of any developed nation; 40 percent of all 17-year-old black males do not have the basic skills in reading and writing to even secure minimal employment, and these factors have to be taken into consideration at this time.

The funding level of S. 242 is inadequate to deal with the magnitude of the problem, particularly in a recession environment. Even the administration agrees, as you mentioned earlier, that something more than \$2.2 billion is needed to respond to our economic crisis. We believe the Kennedy bill, the Cranston bill, and other bills go further in all of the above areas.

S. 493, for example, provides more guaranteed assistance for youth; it links school to work; it targets the disadvantaged; and at \$7.3 billion provides funding more in line with the severity of the problem.

Further, however, it is more comprehensive, including youth, older Americans, women, emergency assistance for the destitute. If any employment bill is to truly change our current course, then the most affected segments of our society must surely need to be on board of that to be included.

Campfire stands ready to work with this committee on improving S. 242, any of the other bills in front of you, and I would be happy to respond to any part of my testimony or any additional questions you may have.

[The prepared statement of Mr. Sherman follows:]

Camp Fire, Inc.
Washington Office



1725 K Street, N.W., Suite 1211, Washington, D.C. 20006 / (202) 659-0565
GROWING WITH YOUNG PEOPLE FOR 72 YEARS

Hearing on S. 242, and Related Measures
by the Subcommittee on Employment and Productivity

Chairman Dan Quayle

Testimony by:

Arnold E. Sherman
National Executive Director
Camp Fire, Inc.

AN EQUAL OPPORTUNITY EMPLOYER

Mr. Chairman and members of the subcommittee, on behalf of Camp Fire, I would like to thank you for the opportunity to testify before you on S. 242, the Employment Opportunities Act of 1983 and related measures. However, before I speak to those issues, I would like to briefly tell you a little about Camp Fire, Inc., our experience in youth employment and the background for our recommendations.

Camp Fire is a not-for-profit national organization that was founded in 1910. Its purpose then, as it is now, is to provide, through a program of informal education, opportunities for youth to realize their potential and to function effectively as caring, self-directed individuals responsible to themselves and others; and as an organization to seek to improve those conditions in society which affect youth.

Today, there are over 300 councils chartered by Camp Fire, serving a half-million young people in nearly 35,000 urban, rural, and suburban communities. The philosophies and values of Camp Fire are as timely today as they were nearly a century ago, but the programs and priorities within Camp Fire have changed over the years, reflecting the changing world we live in. As social conditions have altered, Camp Fire has responded with programs designed to meet those needs.

Youth employment, for instance, is not a new problem, and Camp Fire has a long history of involvement in programs that prepare youth to value work and develop skills needed in the workplace. But recent economic downturns in our nation have magnified the problem of youth employment into a crisis.

Camp Fire responded with a program specially designed to encourage and expand youth employment and training programs with its councils.

The Camp Fire Youth Employment & Training program was funded through the U.S. Department of Labor, Office of Youth Programs, with a two-year, \$700,000 grant. These funds were dispersed to eight (8) individual councils within Camp Fire -- which had outlined unique and specific programs aimed at their own area youth. But each of the programs funded under the DOL grant also addressed the basic problems of the unemployed youth nationwide so that it could serve as a national model for youth programs anywhere. These projects sought to serve youth most in need, i.e. economically disadvantaged youth, young parents, juvenile offenders, persons with limited English-speaking ability, and handicapped youth. A profile of youth served includes:

SEX

Male = 3,193

Female = 3,101

ETHNICITY

Black = 3,261

Caucasian = 2,767

Hispanic = 175

Asian = 56

Other = 35

EDUCATIONAL STATUS

Students = 5,905

High School Drop Outs = 152

High School Graduates = 162

Post High School = 71

AGE

14-15 Years of Age = 2,065

20-21 Years of Age = 112

16-19 Years of Age = 4,117

SPECIAL STATUS

Physical Handicap = 62

Ex-Offenders = 92

Displaced Homemakers = 31

Negative Terminations = 210

Positive Terminations = 6,084

All eight subgrantees offered more than one of the following service approaches to the youth involved:

1. Placement assistance including job search assistance, odd-job brokering, job fairs, and job development.
2. Career education and vocational exploration programs of varying degrees of intensity.
3. Peer and adult one-on-one support, specifically with an employment orientation.
4. Pre-employment assistance including motivational efforts to teach youth the demands and mores of the labor market.
5. Basic life skills classes including curriculums focusing on nutrition, health care, and money management.
6. Limited scale entrepreneurship projects.
7. Supportive services for participants in regular CETA programs.
8. Follow-up assistance for youth placed on jobs.
9. Counseling and support programs for juvenile offenders.
10. Efforts to overcome sex role stereotyping.
11. Language skills and acculturation training for youth with limited English-speaking ability.
12. Employment assistance, counseling, and supportive services for young mothers.
13. Remedial education classes.

Generally speaking, the progress of Camp Fire's youth employment and training projects were excellent. All projects accomplished proposed goals and objectives. Looking at the project sites across the board and comparing them against youth employment and training projects that have been traditionally operated throughout the country, Camp Fire's projects are very good models

for youth, but did so with a definite cost saving involved by the utilization of the already existing program delivery systems and the contributions of a sizable pool of skilled volunteers.

At this time, I would like to give a copy of the Final Project Report to each of the members of the Subcommittee to assist them in their deliberations on employment and training projects.

Backdrop

The situation we face today is far worse than anytime since the Great Depression, particularly for youth and young adults. Currently, youth unemployment stands at 22.7 percent, with black teenage unemployment hovering around 50 percent. This cruel situation appears to be worsening.

-- In the 1960s and 1970s, teenage unemployment rose 1.5 percent for every one percent rise in total unemployment. In the last four years, however, the teenage rate went up 1.8 percentage points for each one percent rise in the total rate.

-- Black teenagers traditionally experience a 3.0 percent unemployment increase for each one percentage point rise in total unemployment. Since 1978, their rate has risen 3.3 percentage points for each one percentage point increase in total unemployment.

A variety of factors are responsible for the overall slump in the economy, but the particularly severe impacts for young workers are the result of a conscious policy of jettisoning youth programs as the economy grew worse.

Comparing annual average employment in 1979 and 1981, the cutbacks in CETA youth jobs accounted for a fourth of the decline in employment for 14 to 19-year olds and nearly three-fourths of the decline for black teenagers.

Despite the slight decline in the unemployment rate over the last month, almost all economic projections agree that there will be a limping recovery, if any, over the next year. And by the Administration's own projections, unemployment will remain above ten percent through this year and into 1984. What that means for the youth of the country is that they will find it increasingly more difficult to transition from school to work. Why? Simply because the more skilled begin to compete for the jobs formerly held by the less skilled.

What Must Be Done

Historically, we have always responded to downturns in the economy. I would like to applaud the Chairman's desire to provide some relief to the human suffering that has been created by a disastrous economic condition. However, Camp Fire does not believe it goes far enough, particularly in the area of providing assistance for youth, principally for the following reasons:

- (1) The level of funding for a job creation program must be much larger.

Even the Administration has agreed that any effort in the area of job creation should and will carry a greater level of funding than \$2.2 billion.

- (2) The bill does not target the disadvantaged.

The allocation of scarce resources has always been a central issue in employment and training policy. During severe recessions, the more advantaged suffer along with the disadvantaged. Whites, married males, and the better educated represent a larger share of the recession increment in unemployment than of stable-state unemployment. The advantaged are more likely to vote, and even though they suffer less than the "hard core", politicians respond much more generously to their plight. However, if you solve an individual's

structural problem, you will have a long-term payoff. If you focus on temporary problems, there will be only temporary payoffs. The more advantaged the participants, the more likely they could get help on their own or jobs on their own, so that the opportunity cost is greater. Those pushed below the margins of eligibility in a recession surely suffer, but not as much as those pushed even further into deprivation. Scarce resources should go to those most in need with the greatest possible long-term "bang for the buck".

- (3) Although youth could be served under your bill, it does not target youth as a priority.

We would, at the very least, like to see the youth get a substantial equitable share of any jobs created by the Federal Government. Your bill would provide no guarantee in this area. For youth, the late teens and early twenties are a period of transition into the labor market -- finding stable jobs, progressing up the career ladder, getting married, and establishing a separate home. Recession not only affects immediate well-being, but in foreclosing these positive transitions, it affects the future as well. Those of you who have sons, daughters, or acquaintances who graduated last year, or the year before, know the consequences. Career options are so limited that many young adults must accept jobs below their expectations and below their skills or simply remain at home or in the video parlors. Both the advantaged and the disadvantaged youth lose the opportunity to develop skills and to progress during these critical years. Unless we assure their full participation in this job program, they will be further behind in skill development.

- (4) The bill makes no effort to link employment and education.

We should require training and education components from the outset as part of any countercyclical work program. Where work is combined with education in this way, there have been noticeable increases in post-program

employment and earnings even for dropout youth. This linkage would increase the net impact of work programs on future earnings. It would prepare the work force so that five years from now, when the economy recovers and when the new growth occupations become clear, workers will be ready to take advantage of the opportunities.

For these reasons, we believe that the bill introduced by Senator Kennedy and co-sponsored by Senators Randolph, Riegle, Eagleton, Matsunaga, Pell, Dodd, Levin, Sarbanes, and Hart goes further and is a more reasoned response to the recession/depression. It provides more guaranteed assistance for youth and linkage with school/work. It is more targeted to the disadvantaged and seeks a greater level of funding. The Kennedy bill is a more comprehensive approach in dealing with the massive unemployment problem. It also attempts to include older Americans, women, and youth. Those are the ones who are the most vulnerable and overlooked in our society. If this truly is going to be the first step in changing course, we must assume all of us are aboard.

We hope that these comments and recommendations will be helpful to the Subcommittee during its consideration of the "Employment Opportunities Act." Camp Fire stands ready to work with the Subcommittee in making these changes. I would be happy to answer any questions you might have.

Senator QUAYLE. Thank you very much.

Mr. Friedman.

Mr. FRIEDMAN. Thank you very much, Mr. Chairman, not only for this opportunity to testify, but for your leadership in the search for cures to unemployment.

I represent the Corporation for Enterprise Development, which is a Washington, D.C., based nonprofit, which was founded to explore ways of reducing unemployment by stimulating the development of new and young businesses, particularly in depressed areas and neglected market sectors.

I have divided my testimony into two parts. First I want to focus simply on title III of S. 242, which I regard as a major and significant breakthrough in thinking about the role of unemployment compensation in dealing with our unemployment problems.

In the second part of my testimony, I want to focus on the broader question of how to reduce unemployment, advancing the view that public policy to promote entrepreneurship could play a significant role in reducing both structural and cyclical unemployment.

Since its inception, unemployment compensation has functioned as a sort of economic methadone. It dulls the pain of unemployment, but it does not offer a cure for it.

This is an adequate function in a time when you can expect jobs to reappear. Where there may be more basic structural problems at play, it is a limited role. I applaud title III of S. 242 for attempting to turn unemployment compensation into a partial cure by enabling it to support and encourage training, employment, and job creation. This is important because public spending on income maintenance dwarfs spending on training and targeted economic development by a factor of about 100 to 1.

We have seven recommendations to make to make title III more effective. First, I think we should recognize very clearly that one of the prime advantages of the employment voucher is that it, unlike targeted jobs tax credits or general jobs tax credits, is useful to new and young firms which are creating more than half of the new jobs in the economy and nonprofit organizations which employ one-fifth of the work force. The language of the bill and pertinent committee language, it is important to make it clear that the program be so structured and publicized to insure that new and young firms and nonprofit organizations can take advantage of it.

Second, recognizing that unemployment is often a trigger for entrepreneurial activity, we recommend that you explore making the voucher available to a beneficiary who would create a job for himself or herself and extend that voucher as partial capitalization for the new venture, on the condition that its amount can be recaptured if the job does not materialize.

Three, we would suggest requiring participating employers to certify that they will retain the vouchered employee beyond the time for the voucher, unless that employer can show substantial evidence that the job no longer exists or that the employee left for good cause.

Four, we suggest that a section (g) be added to section 302 which would require the secretary to monitor and evaluate the voucher program and prepare a yearly report on its impact with respect to job creation, job distribution, and relative costs. As you have noted several times this morning, there is simply too little evidence on the relative effectiveness of job vouchers and tax credits.

Five, we would suggest amending section 303 to impose a greater burden of proof on the State agency which determines the inappropriateness of training. We generally believe that recipients have both more interest and are more competent to determine the value of an investment in training than State agencies.

Six, we would eliminate section 304. We find no reason for further restricting the social contract originally made with people eligible for unemployment benefits. The refusal of suitable employment opportunities and the provisions relating to availability for work, the actual search for work, and the refusal to accept work are sufficient to protect the State and the taxpayers from abuse. We greatly fear the ways in which this provision might be abused, particularly given the general definition of suitability of training and the ineffectiveness of many government sponsored training programs in the past.

Seven, let me make clear our strong recommendation that the principles which title III applies to supplemental unemployment benefits should be extended to other income maintenance programs as well. It should be recognized that under virtually all federally

sponsored income maintenance programs—basic unemployment insurance, aid to families with dependent children, supplemental security income, old age survivors and disability insurance, to name just a few—there are a great number of individuals who are dependent on benefits because they cannot secure remunerative employment.

It could serve both these beneficiaries and the Nation so in need of economic revitalization if we reviewed our income maintenance program with an eye toward seeing how they can help support, rather than discourage training, work, and job creation.

In the remainder of my testimony, I want to address no specific piece of legislation, but rather the larger challenge confronting this committee and indeed the Nation; that is; and I think as the committee and yourself have correctly identified, how can we create jobs to reduce the rate of unemployment.

The best information we have suggests that at best there is one job opening for every 10 job seekers. Too often ignored is that the lack of remunerative jobs is a limit for the structurally unemployed as well as for the cyclically unemployed.

In this search, we are too often caught between a rock and a hard place; on the one hand, we know that too much reliance on traditional macroeconomic stimulus invites renewed inflation; on the other, we recognize that direct public job creation programs are expensive, temporary, and not of the magnitude of the problem.

This is not to suggest that we do neither; however, it is to suggest that we ought to consider an alternative. We can fashion policies designed to stimulate the formation of new enterprises and the expansion of young ones. Mounting evidence points to new and young firms as the chief source of new jobs in the economy, accounting for more than 50 percent of new jobs over the last decade; as the major source of technological innovation, they are the pioneers of industries of a new age; as showing particularly attractive returns on investment; and perhaps most importantly, providing an important and often unique entry to the mainstream economy for those too often locked outside; the displaced worker, the structurally unemployed, women, and the disadvantaged.

There are a range of policies and policy options that are being developed to do this which span the public policy arena. They include tax policy changes that could encourage investment in businesses in much the same way we now encourage investment in real estate; changes in banking and pension fund regulation which would allow and encourage our major financial institutions to more adequately balance reward and risk; changes in employment and training legislation to make certain that training is oriented to the needs of these new and young businesses, and that on the job training stipends can become a stimulant to enterprise development; transfer payment reinvestment policies which allow the funds which now simply mitigate the impacts of unemployment to be used to develop new jobs; the creation of new development finance intermediaries to help capitalize new technologies and businesses in depressed areas.

The States in this Nation have particularly explored such policy options. We at the Corporation for Enterprise Development have

reviewed many of these innovations and developed a series of Federal initiative for spurring entrepreneurial expansion.

While we do not have the resources to do a detailed economic evaluation of the cost and impacts of such a program, we can make a well educated guess. We estimate that for a maximum initial investment of \$1.5 billion, much of which would be recovered through tax revenues, it would be possible to leverage 30 times that amount in private—public and private investment.

With this capital, we could create a minimum of 800,000 jobs within the next 2 years and at least 250,000 to 500,000 each year after that. It should be noted as well that these are permanent private sector jobs.

As this subcommittee and the Congress explore ways of reducing unemployment during the next several years, I hope you will devote some attention to the development of an appropriate entrepreneurial policy. To the extent we can, we are eager to work with you in this quest.

Thank you for this opportunity to testify and even more so for your attention to this extremely crucial problem.

[The prepared statement of Mr. Friedman follows:]

TESTIMONY BY ROBERT E. FRIEDMAN, PRESIDENT, CORPORATION FOR ENTERPRISE
DEVELOPMENT

Mr. Chairman and Members of the Subcommittee:

My name is Robert Friedman and I am President of the Corporation for Enterprise Development which is a Washington, DC based non-profit corporation founded to explore ways of reducing unemployment through the stimulation of new and young businesses, particularly in depressed areas and neglected market sectors.

It is with great pleasure and privilege of me to have this opportunity to testify before you on S242 "Employment Opportunities Act of 1983" and related legislation.

I have divided my testimony today into two parts. In the first I want to concentrate solely on Title III of S242 which I regard is a major and significant breakthrough in thinking about ways of reducing unemployment and the role which unemployment compensation can play in that context. In the second part of my testimony I want to focus on the broader question of how to reduce unemployment, advancing the view that public policy to promote entrepreneurship could play a significant role in reducing both structural and cyclical unemployment.

Title III of S242 entitled "Promoting Employment for Recipients of Federally Funded Unemployment Benefits" marks a unique and very significant departure from traditional thinking about the role of unemployment compensation, and indeed transfer payments in general. Since unemployment insurance system was instituted in the United States in 1935, it has functioned as an income maintenance program. Its purpose and operation have been limited to supporting the income of families whose breadwinners

have lost their jobs, and their families. Insofar as the reasons for unemployment is individual, cyclical and temporary, this limited role makes sense.

But the employment rate in this country has been rising ever since the 1950s, and increasingly each cyclical downturn deposits another layer upon the basic unemployment rate. Each recession has gotten more severe, and a quick return to former prosperity, and with it the return of old jobs has become less likely. It is now common belief that many of the jobs formerly held by recipients of unemployment compensation will never reappear. We know that the American economy is undergoing fundamental change, and that that change requires a change in skills, and a change in the types of jobs.

In such an environment income maintenance alone offers limited hope. There is no greater evidence of that limitation than the 300,000 or so individuals who are exhausting their unemployment compensation benefits each month. For them and hundreds of thousands of their fellow unemployed in the Youngstown, Ohios and Flint, Michigans of this country, our unemployment compensation represents a sort of economic methodone: it dulls the pain of unemployment, but offers no cure.

And so it is logical and necessary from the standpoint both of individuals depending on unemployment benefits, and the taxpayers who foot the bill, to ask if unemployment compensation and indeed other forms of income maintenance can't play some role in economic recovery--in the creation of jobs, and the replenishment of human capital appropriate to a new age.

This is no small question. For the magnitude of public expenditures on income maintenance dwarfs public expenditures on training and economic development. In the fiscal year 1982 for example we spent under \$10 billion dollars for training and retraining, a few billion dollars on targeted economic development, and more than \$200 billion dollars on income maintenance. In the fiscal year 1983 whatever we do for each dollar we spend on training or retraining, we will spend a hundred maintaining the people who cannot maintain themselves because they have lost their jobs, and a few cents on economic development to create jobs for those people.

Moreover our income maintenance payments, even when they go as they do under unemployment compensation to people who are dependent because of their inability to find or remain at their jobs, are so structured as to prohibit their use for training and economic development. A colleague of mine described the special contract this way: "We will support you as long as you don't seek training, as long as you don't work, and as long as, of all things, you don't try to create a job for yourself."

So constricted, the flow of income maintenance funds restricts not only the opportunities of individual recipients but the futures of entire communities. In many communities, income maintenance of one sort or another constitutes well over 50% of the total receipts of the entire community. This is true in impoverished areas of our country; in East Oakland, California for example, 600 million of a total community income of 850

million came in the form of transfer payments of one sort or another. In the Youngstown, Ohio and Flint, Michigans of this country similarly communities are dependent on a huge flow of transfer payment monies which cannot be used to build the future.

It is in this context that Title III of the Employment Opportunities Act of 1983 represents such a breakthrough. For it begins to suggest ways of using our employment compensation not just to dull the pain of unemployment, but to act as a partial cure for it. Title III would remove the threat of loss of benefits for anyone who opted for training thereby reducing some of the disincentive effects that unemployment compensation has exercised in this area. More positively it would ensure that benefits could be continued to be collected while the recipient engages in "suitable" training; in an era of stipend-less training programs, which too often create the choice of "read or eat," this extension is extremely useful. Finally in its most creative and significant breakthrough, Title III would provide for the creation of employment vouchers funded up to the level of 75 percent of maximum federal benefits. This provision at the very least provides an inducement to employers to hire unemployment compensation recipients and may create some jobs in the process. In each case it offers to do all this while costing no more, and almost certainly saving the government and the taxpayers money.

The employment voucher funded by extended benefits has a great advantage over targeted jobs tax credits. The tax credits are useful only to firms with tax liabilities. In general, growing new and young firms under four years old which are generating more than half of the new jobs in the American economy are not yet generating profits and therefore have no tax liability. Therefore the targeted tax credits have no utility precisely for those firms that are most capable of adding employees. The employment vouchers on the other hand offer to be quite useful to these firms, and will be therefore much more likely to help create employment as well as distribute it. This is a great advantage and it should be made clear in the language of the bill and in pertinent committee language that the program should be so structured and publicized as to insure that new and young firms can take advantage of it. We have there a number of ways we think Title III can be strengthened:

- o Recognizing that unemployment is often a trigger for entrepreneurial activity, we recommend that the voucher ought to be available to a beneficiary who would create a job for himself/herself and should be able to be advanced as capitalization for a new venture on the condition that its amount can be recaptured if the job does not materialize.

- o We recommend that the provision of Section 302(a)(1) which provides that a beneficiary must decide within one month of receiving benefits whether to exercise his/her voucher option should be extended. There is already an inherent bias in the

legislation toward the newly unemployed. While understandable, it is nevertheless a perverse bias since the longest term unemployed probably need the greatest amount of help. One could extend the period for exercising the option up to three or four months, with a maximum size of the voucher proportionately reduced at no extra cost. In that way it would provide at least some employment assistance to a wider range of beneficiaries.

o We would suggest requiring participating employers to certify that they will retain the vouchered employee beyond the time for the voucher expires unless that the employer can show substantial evidence that the job no longer exists or that the employee left for good cause. If the employment is coterminous with the voucher then not that much has been gained, and there are probably other employers with whom the placement would have been a better investment. There is every reason to believe that if an employee is satisfactorily producing during the period of the voucher and gaining knowledge of the business in which he/she is working, then that the job and the employee should remain a good match after expiration.

o We suggest that a section (g) be added to Section 302 which would require the Secretary to monitor and evaluate the voucher program and prepare a yearly report on its impact with respect to job creation, job distribution, and relative costs. Neither the literature nor the experience with wage subsidies, employment vouchers, or other employment incentive schemes provides adequate guidance on the proper design and likely

impacts of such programs. We should not lose this opportunity for more information, especially given our conviction that this program merits extension to other benefit programs.

o We would suggest amending Section 303 to impose a greater burden of proof on the state agency which determines the appropriateness of training. We generally believe that recipients have both more interest and are more competent to determine the value of an investment in training than state agencies. Beyond this we question the competence of many state agencies for making such a determination and fear that there may be a temptation to abuse this provision in an attempt to reduce benefit rolls.

o We would eliminate section 304. We find no reason for further restricting the social contract originally made with people eligible for unemployment benefits. The refusal of suitable employment opportunities and the provisions relating to the availability for work, the active search for work and the refusal to accept work are sufficient to protect the state and the taxpayers from abuse. We greatly fear the ways in which this provision might be abused particularly given the record of ineffectiveness of many government sponsored training programs in the past.

In closing let us make clear our strong recommendation that the principles which Title III applies to supplemental unemployment benefits should be extended to other income maintenance

programs. Federal authorizing legislation for the basic unemployment compensation benefits should at least allow and perhaps require states to offer employment vouchers.

It should be recognized as well that under virtually all federally income maintenance programs--Aid to Families With Dependent Children, Supplemental Security Income, Old Age Survivors and Disability Insurance, to name just a few there are a great number of individuals who are dependent upon benefits because they cannot secure remunerative employment. For them as for the recipients of unemployment compensation, the income maintenance payment does not offer an escape from dependency. These programs, like unemployment compensation, are often structured in a way that inhibits training, work, and job creation. In so doing they necessarily hurt not only the unemployed beneficiaries of these programs, but also the taxpayers who foot the bill. None of these programs are so generous as to allow a comfortable and secure standard of living over a long period of time. Too often we have chosen coercive mechanisms to speed the transition from income maintenance to work, ignoring both data and logic which suggests that the lack of decent and accessible jobs is the prime reason for continued dependence. It could serve both these beneficiaries and the nation so in need of economic revitalization if we reviewed our income maintenance programs with an eye toward seeing how work

and training disincentives can be removed and how in fact income maintenance programs can help support training, work, and job creation.

Part Two - The Frontier of Job Creation

In the second part of my testimony, I want to address no specific piece of legislation, but rather the larger challenge confronting this committee and indeed the nation, that is: how can we permanently and significantly reduce the rate of unemployment in this nation.

This Subcommittee, and its Chairman, have correctly identified that the key to reducing unemployment is job creation. A recent study at the Massachusetts Institute of Technology found that there is at most at one job available for every ten job seekers. While lack of skills and training remains a barrier to full employment, training programs are only useful to the extent that jobs exist at the end of the training. And in all too many cases, they simply do not exist.

The barrier that one confronts deciding that job creation is a problem to be addressed however is that direct job creation programs are as we have noted, expensive, temporary, and simply not of the magnitude of the problem. Meanwhile we recognize the traditional macro-economic policies simply cannot reduce structural unemployment without reigniting an inflationary spiral. But there is another alternative. Understanding it however requires that we first come to grips with the nature of the change

over-taking of the American economy, appreciating where jobs are being created in the economy, and identifying the barriers that limit further jobs from being created.

We believe that the American economy is undergoing one of the most fundamental and wrenching transformations in its history. Three primary forces are inducing this transformation: the shift from an industrial to an informational economy, the shift from a cheap and abundant supply of natural resources, to an expensive and constricted supply, and the shift from an insular national economy to an interdependent global economy. All of these shifts are well noted and underway. For example between 1965 and 1980 the occupations of the American workforce shifted from being almost two-thirds engaged in manufacturing and industrial production to two-thirds engaged in the processing and communication of information. Well known is the impact that multiplying petroleum prices had on an economy structured around cheap and abundant petroleum based energy supplies during the 1970s. While experiencing a temporary respite from the decline of petroleum prices we at the same time are becoming aware that water in our western states and in much of the world is assuming the role of the constraining resource of the 1980s. And finally we have seen imports rise from only 6 percent of the GNP two decades ago to more than 17 percent today, a percentage which we cannot afford to ignore.

Thus we are in an economy forced to change. Large institutions, public or private, in general have difficulty changing rapidly and innovatively. Instead, an economy adjusts to change by spawning new businesses. Small and young companies explore new avenues and new combinations of resources more easily, more creatively and at less risk than large institutions. The evidence of the role of new and young firms is everywhere around us: studies suggest that a disproportionate share of technological innovation comes out of small firms; firms with under \$5 million in sales or assets have shown greater returns on investment than all other size classes of firms in the last decade; small firms have provided major entry to the mainstream economy for minorities and women, the major new entrants to the labor force; small firms also are proving particularly important in depressed areas and declining industries. And most importantly, it is new and young firms--firms under four years of age--that have produced more than half of the new jobs during the last decade of the economy. Public policy has generally overlooked the role of such firms in revitalizing the economy, and in creating jobs for the unemployed. But while they cannot be and should not be the sole focus of a revitalization or job creation strategy, they deserve to be a focus.

Of course the potential of any approach depends not only on the opportunity it offers, but on the degree that which opportunity has been exploited. It could, for instance, be the case that although performing well in job creation, new and young

businesses are producing all of which they are capable, and to attempt to stimulate them to produce more would be ineffectual. However there is accumulating evidence that there are substantial barriers to starting new business and expanding a young one. Capital markets, labor markets, factor markets, may work but they do not work perfectly. A number of studies have suggested that new and young firms and particular the labor intensive new and young firms that are playing a larger and larger role in the economy, face severe financing constraints. For example, the venture capital industry in this country which is receiving increased and deserved attention, only finances about 600 of the 600,000 new businesses which are being formed each year. Instead the source of the seed money and equity investment for the vast majority of businesses comes from an informal market, from personal savings and savings of friends, family and associates. This is a financing scheme that works well in wealthy communities, spottily in middle income communities and not at all in poor communities. Most of our financial institutions are regulated in response to the great depression; they are regulated for safety and prove to be very risk averse. But now is the time to take risks, the time to explore new opportunities and new ways of doing things. There are a number of other barriers which we could talk about, but a full discussion of such barriers is beyond the scope of this testimony. What I simply want to suggest is that there is reason to believe that if we could be successful at reducing the barriers to business formation and

expansion, we could accelerate the development of new industries that will provide tomorrow's economic base and supply millions of jobs in the next decade.

It should be noted that the macro-economic recovery package proposed by the Administration misses this vibrant sector of the economy, if unintentionally. Since new and young firms generally have no tax liability, they cannot generally take advantage of the business tax reductions and the accelerated cost recovery provisions enacted in the Economic Recovery Tax Act of 1981. This is particularly true of the labor intensive, "thoughtware" firms that are so important. Second, the individual income tax reductions, while they increase the amount of money theoretically available for investment, do not address the institutional and policy constraints that limit investment in new and necessarily risky ventures. Third, the budget cuts restrict our ability to invest in the development of new skills and human capital which are so essential to the changing economy.

There are a range of policies and policy options that are being developed to remedy these market failures. The range of possible policies span the public policy arena. They include tax policy changes that could encourage investment in businesses in much the same way that we now encourage investment in real estate; changes in banking and pension fund regulation which would allow and encourage our major financial institutions to more adequately balance reward and risk; changes in employment and training legislation to make certain that training is

oriented to the needs of these new and young businesses, and that on-the-job training stipends can become a stimulant to enterprise development; transfer payment reinvestment policies which allow the funds which now simply mitigate the impacts of unemployment to be used to develop new jobs; the creation of new development finance intermediaries to help capitalize new technologies and businesses in depressed areas. The States in this nation are actively experimenting with just such vehicles. Look to them if you would see the shape of the economic policy of the future.

The Corporation for Enterprise Development has reviewed many of the innovations occurring at the state and local level, and developed a series of federal initiatives for spurring entrepreneurial expansion. While we do not have the resources to develop a detailed evaluation of the costs and benefits of such a program of entrepreneurial expansion we have been able to develop an educated guess. We estimate that for a maximum initial investment of \$1.5 billion (most of which would be recovered through tax revenues) it would be possible to leverage 30 times that amount in public and private investment. With this capital, we could create a minimum of 800,000 jobs within the next two years and at least a half a million a year after that. It should be noted as well that these are permanent, private sector jobs.

As this Subcommittee and the Congress explore ways of reducing unemployment during the next several years, I hope you will devote some attention to the development of an appropriate entrepreneurial policy. The Corporation for Enterprise Development and its network of innovators at the state and local level throughout the nation is eager to assist in this exploration in any way it can.

Thank you for this opportunity to testify and even more so for your attention to this extremely crucial problem.

Senator QUAYLE. Thank you very much, Mr. Friedman.

Ms. DeGonia.

Ms. DeGONIA. Mr. Chairman, it is again an honor to testify before your committee on behalf of the National Employment Coalition.

The coalition was born 4 years ago out of a concern for improving and expanding education and employment opportunities for youth. We had the delight of working with you through your leadership and extending the Youth Employment and Demonstrations Project Act several years ago and then through the development of the Jobs Training Partnership Act.

The Coalition member agencies include a broad spectrum of service providers, including the National Child Labor Committee, OIC's of America, Growth Club of America, and National Council on LaRaza, Jobs for Progress, 70,001, and Campfire.

Our member organizations serve hundreds of thousands of young people annually. You are here today to explore the potential Federal response for job creation during the current recession. You, as well as Senator Kennedy and many other Senators outside of the subcommittee, have introduced bills to provide jobs and other emergency relief. We are not here today to respond to any specific bill, but rather to point out basic principles that ought to be taken into consideration if you look at any jobs bill.

I would like to cover basic points that the coalition would like to see in any jobs bill. First, the coalition believes in times of fiscal restraint, Federal dollars should be expended for job creation, that that should only go to persons who are in need, but also should be targeted to geographic areas in need.

Furthermore, specific targeting for youth is strongly urged, based on the disproportionate numbers of the unemployed. To illustrate this point, according to the Bureau of Labor Statistics, in January 1983, the overall population had an unemployment rate of 10.4 percent. For white youth that was 20 percent, and for black youth that was 45.7 percent.

We would also limit participation in any jobs bill to youth that are defined economically disadvantaged in the Job Training Partnership Act. Any jobs bill must also target for equity of services to minorities and women.

Second, National Youth Employment Coalition requests that throughout the subcommittee's deliberations, you keep high school dropouts constantly in mind and make every effort to place priority on service delivery to this group. There are individuals that at an early age begin to experience significant spells of unemployment. The discouragement and assault at self-esteem they face often results in them becoming a bedrock of the permanent unemployed.

Again, to illustrate the disproportionate representation of dropouts in the unemployed, I would like to point to some figures that were developed in the employment and training report of the President in 1982. Of persons who either graduated or dropped out of high school in 1981, looking at them several months later, the unemployment rate for white high school graduates was 17.1 percent.

The unemployment rate for black high school graduates was 53.5 percent, many, many times over. For white high school dropouts,

the unemployment rate was 29 percent. For black high school dropouts, it was 73.1 percent. I think this illustrates that you must provide equity of services to dropouts if you want to hit that significant segment of the population and attempt to break a self-perpetuating cycle of poverty and unemployment.

Our next point is that National Youth Employment Coalition believes that any youth jobs provision under consideration by the committee be linked to the delivery system established in the Job Training Partnership Act. There is no need to duplicate and create a new delivery system for youth. The intent of Congress to have real and not make work job experience must remain a priority if we are going to make significant changes in the long-term employability of disadvantaged youth. It could be the responsibility of the Private Industry Council to certify that any jobs or work experiences are not make work jobs.

Furthermore, we believe that training should be an integral part of any jobs program for youth. Senator Kennedy's bill targets to youth who are either in school or youth who return to school. For a lot of youths, school just is not appropriate. The school does not have the capacity to serve them, or the youth does not have the capacity to go to that school.

Therefore, we would not restrict it to only school participation, but would open up jobs for any youth that participates in a jobs training or employment program. Next point is the role of community based organizations. COB's have historically developed from an inability of traditional institutions to provide needed services in local communities.

CBO's and voluntary grassroots neighborhood programs have demonstrated effectiveness in delivering employment services to a population often not reached. In the past, millions of dollars have been spent to enhance and develop the infrastructure of community based organizations.

If you do not include CBO's of demonstrated effectiveness and give them proper consideration in the law, that expertise could be washed at a local level when it comes to the delivery of services. That is our main point in terms of the jobs bill.

We would like to raise two further issues with you, and that is if you are looking at the area of job creation, not just from a jobs bill perspective. I would like to call your attention to the targeted jobs tax credit. The targeted jobs tax credit last year when Congress reauthorized it established a new provision that would be targeted to economically disadvantaged 16- and 17-year-olds this summer. Any employers who hire economically disadvantaged youth—would be given a tax credit of up to 85 percent of the first \$3,000 in wages paid.

Unfortunately the systems and linkages that establish this new TJTC provision perhaps may not work out at a local level. At a local level you will have employment service that is responsible for vouchering and certification of economically disadvantaged persons. In a community you could have in one corner the employment service doing the outreach and intake and assessment and job match for economically disadvantaged 16- and 17-year-olds, for which they really do not have any previous experience nationwide,

and two blocks down the road you would have CETA doing intake, assessment, job training and outreach for the same client group.

Now, your Job Training Partnership Act goes a far way establishing coordination between ES and the job training system. However, that linkage will not be in place until next year, so the bottom line is a potential resource for kids this summer may not be used due to a lack of institutional linkages.

The final point is the issue of CETA closeout. Under the Job Training Partnership Act, CETA must be closed out at the end of the fiscal year. The cost to pay for that closeout into next year has to come from this year's funds. What may happen, as a result is you will see CETA programs closing down 1 to 2 months prior to the end of the fiscal year just so they can afford the administrative cost to pay for closeout next year.

That is certainly not something that Congress intended to do; however, it is something that could happen in the field unless you attend to it.

Thank you for the opportunity, again, to testify, and I would like to entertain any questions you have.

I ask unanimous consent that my prepared statement be included in the record.

[The prepared statement of Ms. DeGonia follows:]

TESTIMONY OF NATIONAL YOUTH EMPLOYMENT COALITION, FEBRUARY 23, 1982

Mr. Chairman and distinguished members of the Subcommittee on Employment and Productivity, I am honored to provide testimony to this Subcommittee on behalf of the National Youth Employment Coalition. The National Youth Employment Coalition was born four years ago out of concern for improving and expanding education and employment opportunities for youth. The Coalition member agencies represent a broad spectrum of service providers, including: National Child Labor Committee, O.I.C.s of America, Girls Clubs of America, National Council on LaRaza, Camp Fire, 70001 Ltd., and the National Youth Work Alliance. Our member organizations serve hundreds of thousands of young people annually nationwide.

The Senate Subcommittee is here today to explore the potential federal response for jobs creation during the current recession. Both Senators Quayle and Kennedy as well as many others outside this Subcommittee have introduced bills to provide jobs and other emergency relief. We are not here today to respond to any specific bill. We do believe, however, that if the Congress decides to provide emergency jobs assistance, there are several basic principles that ought to be taken into consideration with regard to youth. The following are

the National Youth Employment Coalition's recommendations we would like you to consider in the development of any jobs bill offered.

Targeting

The National Youth Employment Coalition believes that in times of fiscal restraint, federal dollars expended for job creation should not only go to persons most in need, but also should be targeted to the geographic areas of greatest need.

Furthermore, specific targeting for youth is strongly urged based on their disproportionate representation in the numbers of unemployed. The following are the January 1983 unemployment rates seasonably adjusted according to the Bureau of Labor Statistics:

<u>January 1983</u>	
All persons	10.4
All youth 16-19	22.7
White youth 16-19	20.0
Black youth 16-19	45.7

We would also limit participation to youth who

are defined as economically disadvantaged in the Job Training Partnership Act. The jobs bill must also provide for equity of service to minorities and women.

Equitable Services to Dropouts

The National Youth Employment Coalition requests that throughout the Subcommittee's deliberations, you keep high school dropouts constantly in mind and make every effort to place a priority on service delivery to this group. They are individuals who at an early age begin to experience significant spells of unemployment. The discouragement and assault on self-esteem they face often result in them becoming the bedrock of the permanently-unemployed adult population.

The following is an example of dropouts' disproportionate representation of the unemployed according to The Employment and Training Report of the President:

Unemployment Rates

October 1981 High School Dropouts or Graduates

White Graduates	17.1 %
Black Graduates	53.5 %
White Dropouts	29.0 %
Black Dropouts	73.1 %

We recognize the difficult task you have to allocate few resources among many in need. We are convinced, however, that equity of services to high school drop-outs based upon their percentage of the eligible population is essential to help break a self-perpetuating cycle of unemployment and poverty.

Service Delivery

Any youth jobs provision under consideration by this committee should be linked with the delivery system established by the Job Training Partnership Act.

The Job Training Partnership Act provides the structural framework in which youth jobs can be delivered. The intent of Congress for real and not make-work experiences must remain a priority if we are to make significant changes in the long-term employability of the disadvantaged. It is clearly the responsibility of the private industry council to insure that this intent is carried out. The NYEC suggests that the established structure of JTPA provide the best vehicle for comprehensive delivery of a federal jobs policy for youth.

As stipulated in the Job Training Partnership Act, training is an integral element to ensuring stability and mobility in the labor market. Short-term government-sponsored jobs cannot stand alone as a recourse to solving

our country's unemployment dilemma. This is especially true for youth who often lack minimal labor market experiences, basic skills, and employment competencies.

The National Youth Employment Coalition believes that any jobs provisions for youth should be accompanied by education and training opportunities. The educational or training program should be focused on the basic educational and employability skills necessary for long-term employment and economic self sufficiency.

The alternatives for providing necessary training to unemployed youth are already in place. Thousands of young people, many disadvantaged and school dropouts, will not return to traditional school systems for education or training. Many potential jobs recipients under any bill could receive education and training in public or non-profit alternative schools, as well as through community-based organizations' training facilities. Access to necessary training and remediation for those most in need can best be met through support to both public schools and community-based organizations. Any jobs bill should clearly state that alternative delivery systems for education and training of unemployed youth are acceptable and encouraged.

Role of Community-Based Organizations

Community-based organizations historically developed from an inability of traditional institutions to provide needed services to their local communities. Community-based, voluntary, and grassroots neighborhood programs have demonstrated effectiveness in delivering employment services to a population often not reached by traditional community institutions.

Over the past years, millions of dollars have been expended to support the development and strengthening of community-based organizations. Furthermore, federal funds have been spent under the Youth Employment Demonstration Projects Act identifying effective strategies of community-based employment and training services to disadvantaged youth. It is important that we utilize these strategies and not negate the value these programs played in establishing alternative training systems for youth. We urge you to maintain a significant role for CBO's in both the administration, planning, and service delivery of employment opportunities under consideration here today. Furthermore, any youth jobs provision should state that special consideration shall be given to community-based organizations of demonstrated effectiveness.

Targeted Jobs Tax Credit

The National Youth Employment Coalition would like to bring to the Committee's attention a major resource for accessing private sector jobs for youth this summer. Through a major new provision in the Targeted Jobs Tax Credit, employers who hire economically-disadvantaged youth aged 16-17 who work up to 90 days between May 1 and September 15 earn a tax credit of up to 85 percent of the first \$3,000 in wages paid. This provision of TJTC could open up many job opportunities for youth this summer. Unfortunately, the system and linkages among the agencies who are critical to the success of this provision have yet to be worked out.

The State Employment Service is responsible for vouchering and certification of eligible youth. However, generally the Employment Service has limited experience with this age group and is overburdened with other responsibilities. This lack of experience may preclude the critical outreach and recruitment of young people needed to maximize use of the TJTC incentive to employers.

NYEC suggests that Employment Service be encouraged and supported to allow outside agencies to conduct the vouchering of potential TJTC participants. This is a most time-consuming process easily handled by agencies who provide other services to young people.

The Job Training Partnership Act goes a long way toward requiring institutional linkages between the Employment Service and the Job Training Partnership Act which could assist locals in maximizing TJTC as a private sector placement tool in the future.

Conclusion

On behalf of the National Youth Employment Coalition and the young people we serve, I thank you for this opportunity to provide you with our support and concerns as you design this critical legislation. Our young people are a vital resource who offer us all the potential to better develop and adjust to a changing world; we owe them the opportunities they need to thrive in this endeavor.

Thank you, and the Coalition offers any further support and cooperation you may need.

Senator QUAYLE. I just have one basic question. When we dealt with the issue of youth in our Job Training Partnership Act, as you well know, we did include a 40-percent set-aside for youth, which is a rather significant set-aside.

Youth present a structural problem, particularly economically disadvantaged young people. They really are not going to get any kind of opportunity unless we help them.

And I certainly took the lead, and we were insistent that there would be a set-aside. My question now is, as we look at a countercyclical bill for the short term, not the long term, that the priority and the targeting ought to be in areas of high unemployment. And if we target beyond those areas, I wonder if we are going to get away from our main focus.

I invite you to comment on whether you think youth unemployment is more of a structural problem or is it a cyclical problem?

And, it has to be placed in one of those two categories. Obviously, there are youth in both categories. Either structural or cyclical unemployment has to receive more attention, and I wonder which one you think should receive the most attention.

Mr. SHERMAN. Mr. Chairman, it is difficult when we end up putting different populations against each other to try to identify who the true, justifiable group to receive priorities is. Certainly, in the

Jobs Partnership Act, 40 percent of the resources were targeted to youth. However, the total amount of money, given the magnitude of the problem, I think, is insufficient to deal with the problem. We need, I believe, a national policy, a national program that really looks at youth in a much more developmental way, and there is nothing within the Jobs Partnership Act that mandates any national leadership on behalf of youth. In fact, youth who are served within that bill are dependent on the priorities of local PIC's and local Governors.

There is no guarantee that nationwide there would be any equitability in how many young people are served. It clearly also does not deal with the here-and-now issue of putting money into the pockets of young people, some of whom are heads of households, some who are, as you know, facing a lifetime of disappointments and crises. It also does not provide for any stipends to encourage participation, given the fact, as I mentioned earlier, that many of those young people are now in homes where their parents or parent are unemployed.

This is just a tremendous cycle of structural unemployment. I believe an underclass is being created of our young people. If you take a look at the issue of basic competencies and where we are faltering; if you take a look at the whole issue of marginal young people who will not be prepared to enter the work force when jobs become available and particularly in urban areas; the vertical industries in which there are few entry level opportunities for young people.

I understand the political realities of, in the short term, trying to put some meat on the table and to get something out there in the community to deal with the problem here and now. But at the same time, it is a unique opportunity, given the nature of the way political decisions are made for funding programs, to move beyond being reactive and respond to the crises, we are in now with a longer term approach.

Nine months ago there was not much talk about putting something out quickly, and now there is, and this is a unique opportunity with public attention on the issue and with the seeming consensus between the President and the leadership that something should be done to institute a program that has a more far reaching effect.

Rather than again dealing with cycle 1, phase 1, or phase 2; I think we have to put a comprehensive program into effect now when we have some consensus and unanimity related to addressing the problem.

Ms. DEGONIA. Senator Quayle, in response to your question, in 1979, if you look at the total amount of Federal resources that went to young people, it was about \$2 billion; in 1980 it was \$2.5 billion, looking at the total variety of programs in the country to serve disadvantaged youth. So if you compare that with the budget figures for the Job Training Partnership Act, the budget figures are about similar to serve everyone versus just one segment of the youth population.

Mr. SHERMAN. Just one further point, if you take a look at Gary, Ind. and if you look at Youngstown, Ohio, Birmingham, Ala., and

Detroit, what are the young people in those cities going to do? Where is their future?

What is this Congress—what is this committee going to do to insure, now that it has an opportunity to address the problem, that those young people have an opportunity to meaningfully participate in the work force?

Senator QUAYLE. OK. Thank you very much. And we will continue to work with you. We appreciate your testimony and insight.

Mr. SHERMAN. Thank you.

Senator QUAYLE. Next, from the Indiana Department on Aging, Jean Merritt. Good morning, Ms. Merritt. It is certainly a pleasure to welcome a fellow Hoosier, constituent, and activist from the State of Indiana. I have read your testimony. It is as good as I anticipated. Maybe you can tell us a little bit more about what you are doing with the aging and community services and social services. So go ahead and proceed.

STATEMENT OF JEAN MERRITT, EXECUTIVE DIRECTOR, INDIANA DEPARTMENT ON AGING AND COMMUNITY SERVICES AND SOCIAL SERVICES FISCAL OFFICE

Ms. MERRITT. Thank you, Mr. Chairman. I am Jean Merritt, the executive director of the Indiana Department on Aging and Community Services, and I also serve as the director of the social services fiscal office for the State. As director of these two State agencies, I have the responsibility for administering three bloc grants: the community services bloc grant; the social services bloc grant, and the low-income home energy assistance bloc grant.

In addition, all aging program funds through the Older Americans Act and Department of Energy weatherization funds are also administered by my department. All total, I have the responsibility for approximately \$160 million of human service program funding.

This morning I am going to share with you some of our successes in Indiana and offer for your consideration a coordinated approach to both reducing high unemployment rates through labor intensive employment opportunities, while also reducing residential heating bills for low income and elderly households.

Now, we have heard a lot of testimony this morning about a long range view, and I wholeheartedly support that. But coming from a State where 23 of the 92 counties are experiencing unemployment rates between 15.7 percent and 27.5 percent, the real problem is that we must put into place some short-term help for these kinds of problems.

In 1978 the Governor of Indiana designated our office to administer the Department of Energy's weatherization program for low income persons. From the initial funding level of \$750,000, the program reached its peak in 1981 at a level of \$22 million.

The number of dwellings weatherized ranged from 782 in the initial year to 18,731 in fiscal year 1981. To date Indiana has weatherized more than 37,000 dwellings for a total cost of approximately \$33.5 million. Of this total, 42 percent of those funds were expended on materials, 25 percent for contractors to install those materials, 25 percent for program support activities, and the remaining 8 percent for administration and outreach activities.

Now, this same department also administers the low income energy assistance bloc grant. We call it Project SAFE in Indiana. Under the bloc grant, up to 15 percent of that State allocation may be transferred to support the weatherization program. Although this flexibility under the bloc grant is most desirable, it is a catch-22 situation for the State of Indiana, which must decide where the funds are to be utilized under the bloc grant program. The one program produces longer term conservation and cost reduction benefits to the household; the other program, a partial payment of the escalating fuel bills which provides immediate crisis assistance with no long-term benefits.

In other words, the fuel assistance program is a bandaid program. The problem of high fuel costs remains after assistance is given. Weatherization, however, is one solution to the problem, and as such should be given priority. I am in no way suggesting, however, that a fuel assistance program is not important. It is, because we must deal with the immediate emergency of the household. As of this date, Indiana has received over 166,000 applications from households for assistance this winter, an increase of 42 percent over the 115,000 households receiving assistance under last year's program.

The increase in fuel costs, particularly natural gas, in some cases, those increases are up to 40 percent, and the high unemployment rate experienced in our State have obviously contributed to that increased participation.

One can only speculate what the impact might have been if this winter were not 12 percent warmer than the normal or over 25 percent warmer than the particularly severe winter of last year.

One additional point needs to be made: the weatherization program, as administered in Indiana, at least, is an employment program as well.

When the \$22 million program in Indiana came to an abrupt halt, at least 2,000 persons were put on the unemployment rolls, and many small companies, insulation companies, and even vehicle leasing companies were tremendously impacted. In fiscal year 1983, Indiana's weatherization program received total funds of \$11 million. That is \$4 million from the Department of Energy and \$7 million from the low-income energy assistance bloc grant. This program has a priority position in our State because of its permanent and long-term impact upon reducing energy consumption and the cost of residential heating fuel upon low income and elderly households.

During the initial years of the weatherization program, hard data to support the benefits claimed by weatherization activity was limited or even nonexistent. As a result of this lack of hard data, a demonstration project was initiated with Citizens Gas & Coke Utility of Indianapolis in the summer of 1982 to weatherize 100 dwellings and determine the energy and dollar savings achieved.

There were 150 dwellings to be weatherized to the established optimum level, a maximum of \$4,000, and 50 dwellings were to be weatherized utilizing Department of Energy's guidelines, a maximum of \$1,600. Preliminary data from this study confirms the permanent and long-term impact of the weatherization program; 54 dwellings were weatherized to the optimum level at an average

cost per dwelling of \$1,900. Another 39 were weatherized utilizing the guidelines of the Department of Energy's program at an average cost of \$540.

The most significant results were achieved, as you should expect, from the optimal group where natural gas consumption was reduced an average of 24.6 percent, and the cost of the fuel was reduced 26.3 percent or \$172 of real savings per household for only 3 months, November and December 1982 and January 1983.

In the more modest program, the households also achieved reductions in fuel consumption of 13 percent and in the cost of the fuel of 14 percent or \$89 for those households for the same 3 months.

Now, with the above data in mind and the continued acute employment in Indiana and nationally, it is apparent that a coordinated energy conservation and labor intensive employment program could produce significant results in both areas.

I am talking about a very modest program. For example, with a \$250 million supplemental appropriation, the low-income home energy assistance bloc grant designated specifically for labor intensive jobs in the weatherization program, an estimated 26,000 jobs could be created, 1,300 in Indiana.

The number of dwellings to be weatherized would be more than doubled and utilizing a very conservative estimate of \$800 for the average residential heating bill in Indiana, 20,000 households would be saved over \$3.3 million in fuel costs in a 12-month period. There is a significant role in this coordinated program for the State, for the utilities, for the fuel vendors, the private contractors, the unions, and local agencies.

It is estimated that 20 percent of those positions could be filled within 30 days after the State receives its grant award; 50 percent within 60 days, and all of them within 90 days. This may sound like a very ambitious program to undertake upon short notice, but let me assure you that it is possible and would be a very major addition and welcome expansion of a program that has been inordinately successful in our State for the past 5 years.

The Employment Opportunities Act of 1983 represents a dramatic opportunity for coordination of program components and the assurance that those stated goals will be attained.

That concludes my opening remarks and I would entertain questions.

[The prepared statement of Ms. Merritt follows:]

TESTIMONY OF MS. JEAN MERRITT, EXECUTIVE DIRECTOR, INDIANA DEPARTMENT ON
AGING AND COMMUNITY SERVICES, SOCIAL SERVICES FISCAL OFFICE

COORDINATED ENERGY CONSERVATION AND EMPLOYMENT PROGRAM

GOOD MORNING! I AM JEAN MERRITT, EXECUTIVE DIRECTOR OF THE INDIANA DEPARTMENT ON AGING AND COMMUNITY SERVICES ADMINISTRATION AND THE SOCIAL SERVICES FISCAL OFFICE.

AS THE DIRECTOR OF THESE TWO STATE AGENCIES, I HAVE THE RESPONSIBILITY FOR ADMINISTERING THREE BLOCK GRANTS: (1) THE COMMUNITY SERVICES BLOCK GRANT; (2) THE SOCIAL SERVICES BLOCK GRANT; AND (3) THE LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT. IN ADDITION, ALL AGING PROGRAM FUNDS AND DEPARTMENT OF ENERGY WEATHERIZATION FUNDS ARE ADMINISTERED BY THIS DEPARTMENT.

ALL TOTAL, I HAVE THE RESPONSIBILITY FOR APPROXIMATELY 160 MILLION DOLLARS OF HUMAN SERVICE PROGRAM FUNDING.

THIS MORNING I AM GOING TO SHARE WITH YOU SOME OF OUR SUCCESSES IN INDIANA AND OFFER FOR YOUR CONSIDERATION A COORDINATED APPROACH TO BOTH REDUCING HIGH UNEMPLOYMENT RATES THROUGH LABOR INTENSIVE EMPLOYMENT OPPORTUNITIES WHILE ALSO REDUCING RESIDENTIAL HEATING BILLS FOR LOW-INCOME AND THE ELDERLY HOUSEHOLDS.

IN 1978 THE GOVERNOR OF INDIANA DESIGNATED THE OFFICE OF COMMUNITY SERVICES ADMINISTRATION (NOW THE INDIANA DEPARTMENT ON AGING AND COMMUNITY SERVICES ADMINISTRATION) TO ADMINISTER THE DEPARTMENT OF ENERGY'S WEATHERIZATION PROGRAM FOR LOW-INCOME PERSONS. FROM THE INITIAL FUNDING LEVEL OF \$750,000, THE PROGRAM REACHED ITS PEAK IN 1981 AT A LEVEL OF \$22 MILLION. THE NUMBER OF DWELLINGS WEATHERIZED RANGED FROM 782 IN THE INITIAL YEAR TO 18,731 IN FY '81. TO DATE INDIANA HAS WEATHERIZED 37,737 DWELLINGS FOR A TOTAL COST OF \$33,542,719. OF THIS TOTAL, 42% OF THE FUNDS WERE EXPENDED ON MATERIALS, 36% FOR CONTRACTORS TO INSTALL THE MATERIALS, 25% FOR PROGRAM SUPPORT ACTIVITIES, AND THE REMAINING 8% FOR ADMINISTRATION AND OUTREACH ACTIVITIES.

THIS SAME DEPARTMENT ALSO ADMINISTERS THE LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT (PROJECT SAFE IN INDIANA). UNDER THE BLOCK GRANT, UP TO 15% OF THE STATE ALLOCATION MAY BE TRANSFERRED TO SUPPORT THE WEATHERIZATION PROGRAM. ALTHOUGH THIS FLEXIBILITY UNDER THE BLOCK GRANT IS MOST DESIRABLE, IT IS A "CATCH 22" FOR THE STATE OF INDIANA WHICH MUST DECIDE WHERE THE FUNDS ARE TO BE UTILIZED UNDER THE BLOCK GRANT PROGRAM. THE ONE PROGRAM PRODUCES LONGER TERM CONSERVATION AND COST REDUCTION BENEFITS TO THE HOUSEHOLD: THE OTHER, PARTIAL PAYMENT OF THE ESCALATING FUEL BILLS, WHICH PROVIDES IMMEDIATE CRISIS ASSISTANCE

WITH NO LONG-TERM BENEFITS.

IN OTHER WORDS, THE FUEL ASSISTANCE PROGRAM IS A BANDAID PROGRAM. THE PROBLEM OF HIGH FUEL COSTS REMAINS AFTER ASSISTANCE IS GIVEN; WEATHERIZATION IS A SOLUTION TO THE PROBLEM, AND AS SUCH, SHOULD BE GIVEN A PRIORITY. I AM IN NO WAY SUGGESTING THAT A FUEL ASSISTANCE PROGRAM IS NOT IMPORTANT: IT IS, BECAUSE WE MUST DEAL WITH THE IMMEDIATE EMERGENCY OF THE HOUSEHOLD.

AS OF THIS DATE, INDIANA HAS RECEIVED OVER 162,369 APPLICATIONS FOR ASSISTANCE THIS WINTER, AN INCREASE OF 39% OVER THE 115,000 HOUSEHOLDS RECEIVING ASSISTANCE UNDEP THE FY '82 PROGRAM. THE INCREASE IN FUEL COSTS, PARTICULARLY NATURAL GAS (IN SOME CASES 40%), AND THE HIGH UNEMPLOYMENT RATE EXPERIENCED IN THE STATE HAVE OBVIOUSLY CONTRIBUTED TO THE INCREASED PARTICIPATION. ONE CAN ONLY SPECULATE WHAT THE IMPACT MIGHT HAVE BEEN IF THIS WINTER WERE NOT 12% WARMER THAN THE NORMAL, OR OVER 25% WARMER THAN THE PARTICULARLY SEVERE WINTER OF '82.

ONE ADDITIONAL POINT NEEDS TO BE MADE. THE WEATHERIZATION PROGRAM, AS ADMINISTERED IN INDIANA AT LEAST, IS AN EMPLOYMENT PROGRAM AS WELL. WHEN THE \$22M PROGRAM IN INDIANA CAME TO AN ABRUPT HALT, AT LEAST 2,000 PERSONS WERE PUT ON THE UNEMPLOYMENT ROLLS AND MANY SMALL COMPANIES (INSULATION COMPANIES AND EVEN VEHICLE LEASING COMPANIES, FOR EXAMPLE) WERE TREMENDOUSLY IMPACTED.

IN FY '83, INDIANA'S WEATHERIZATION PROGRAM RECEIVED TOTAL FUNDS OF \$11 MILLION DOLLARS FROM THE DEPARTMENT OF ENERGY AND THE LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT. THIS PROGRAM HAS A PRIORITY POSITION IN INDIANA BECAUSE OF ITS PERMANENT AND LONG-TERM IMPACT UPON REDUCING ENERGY CONSUMPTION AND THE COST OF RESIDENTIAL HEATING FUEL UPON LOW-INCOME AND ELDERLY HOUSEHOLDS.

DURING THE INITIAL YEARS OF THE WEATHERIZATION PROGRAM, HARD DATA TO SUPPORT THE BENEFITS CLAIMED BY WEATHERIZATION ACTIVITIES WAS LIMITED OR NON-EXISTENT. AS A RESULT OF THIS LACK OF HARD DATA, A DEMONSTRATION PROJECT WAS INITIATED WITH CITIZENS COKE AND GAS, INC. OF INDIANAPOLIS IN THE SUMMER OF 1982 TO WEATHERIZE 100 DWELLINGS AND TO DETERMINE THE ENERGY AND DOLLAR SAVINGS ACHIEVED. FIFTY DWELLINGS WERE TO BE WEATHERIZED TO THE ESTABLISHED OPTIMUM LEVEL (MAXIMUM OF \$4,000) AND FIFTY DWELLINGS WERE TO BE WEATHERIZED UTILIZING THE DEPARTMENT OF ENERGY'S GUIDELINES (MAXIMUM OF \$1,600).

THE CITIZENS COKE AND GAS COMPANY IDENTIFIED 100 OF THE HIGHEST RESIDENTIAL GAS CONSUMERS WHO WERE RECIPIENTS OF PROJECT SAFE '82 ASSISTANCE, OWNED THEIR OWN RESIDENCE AND THE HEAD-OF-HOUSEHOLD WAS 60 YEARS OF AGE OR OLDER. FIFTY-FOUR DWELLINGS WERE WEATHERIZED TO THE OPTIMAL LEVEL AT AN AVERAGE COST OF \$1,992 PER DWELLING UNIT.

ANOTHER THIRTY-NINE WERE WEATHERIZED UTILIZING THE GUIDELINES OF THE WEATHERIZATION PROGRAM OF THE DEPARTMENT OF ENERGY AT AN AVERAGE COST OF \$540. THE PRELIMINARY ANALYSIS, COMPARING THE MONTHS OF OCTOBER, NOVEMBER, DECEMBER AND JANUARY OF FY '83 WITH THE SAME MONTHS OF FY '82 PRODUCED SOME SIGNIFICANT RESULTS.

THE ENERGY CONSUMPTION AND COST DATA HAVE BEEN ADJUSTED TO PROVIDE A BASIS FOR COMPARISON. THE MOST SIGNIFICANT RESULTS WERE ACHIEVED IN THE DWELLINGS WEATHERIZED TO THE OPTIMAL LEVEL, WHERE FUEL CONSUMPTION WAS REDUCED AN AVERAGE OF 24.6% AND THE COST OF THE FUEL FOR THE FOUR-MONTH PERIOD WAS REDUCED 26.3% OR \$172.

THREE HOUSEHOLDS IN THIS GROUP ACHIEVED REDUCTIONS OF SLIGHTLY MORE THAN 50% IN EACH CATEGORY.

THE REGULAR GROUP ALSO ACHIEVED REDUCTIONS, ALTHOUGH NOT NEARLY AS DRAMATIC AS THE OPTIMAL GROUP. THE REGULAR GROUP ACHIEVED AN AVERAGE REDUCTION IN FUEL CONSUMPTION OF 13% AND IN THE COST OF THE FUEL OF 14% OR \$89 DURING THE FOUR-MONTH PERIOD.

ALTHOUGH THE FINAL DATA AND ANALYSIS WILL NOT BE AVAILABLE UNTIL IN APRIL, 1983, IT IS APPARENT THAT BOTH THE OPTIMAL AND REGULAR APPROACHES TO WEATHERIZATION PRODUCE IMPRESSIVE REDUCTIONS IN ENERGY CONSUMED AND THE COST OF THIS ENERGY TO THE LOW-INCOME AND ELDERLY HOUSEHOLDS.

WITH THE ABOVE DATA IN MIND, AND THE CONTINUED ACUTE UNEMPLOYMENT PICTURE THAT EXISTS WITHIN THE STATE (61 COUNTIES OUT OF 92 HAVE UNEMPLOYMENT RATES IN EXCESS OF 12%, AND ONLY 12 COUNTIES ARE AT LESS THAN A DOUBLE-DIGIT RATE), IT BECOMES INCREASINGLY APPARENT THAT A COORDINATED ENERGY CONSERVATION AND LABOR-INTENSIVE EMPLOYMENT PROGRAM WILL PRODUCE EVEN MORE POSITIVE RESULTS THAN THOSE CURRENTLY BEING ATTAINED. FOR EXAMPLE WITH A \$250 MILLION SUPPLEMENTAL APPROPRIATION TO THE LOW-INCOME HOME ENERGY ASSISTANCE PROGRAM DESIGNATED SPECIFICALLY FOR LABOR-INTENSIVE JOBS IN THE WEATHERIZATION PROGRAM, AN ESTIMATED 26,000 JOBS COULD BE CREATED RANGING FROM \$7,800 TO \$14,000 ANNUALLY AT AN AVERAGE OF \$9,320. THE NUMBER OF DWELLINGS TO BE WEATHERIZED WOULD BE MORE THAN DOUBLED FOR THE YEAR FROM THE CURRENT ESTIMATE OF 130,000.

THERE IS A MAJOR ROLE FOR THE UTILITIES, FUEL VENDORS AND THE PRIVATE SECTOR TO BE ACTIVE AND VITAL PARTNERS IN THIS VENTURE. THE PUBLIC UTILITIES AND FUEL PROVIDERS CURRENTLY PARTICIPATING IN THE STATEWIDE PROJECT SAFE PROGRAM CAN IDENTIFY THE ENERGY CONSUMPTION LEVELS OF OVER 160,000 HOUSEHOLDS WHO ARE ALSO ELIGIBLE FOR WEATHERIZATION ASSISTANCE. TO WEATHERIZE THE DWELLINGS OF THESE HOUSEHOLDS AT THE CURRENT RATE OF 10,000 PER YEAR WOULD TAKE APPROXIMATELY 16 YEARS.

BY INCREASING THE FUNDING LEVEL IN INDIANA FROM \$11 MILLION TO AN ANNUAL \$22 MILLION LEVEL, THE NUMBER OF DWELLINGS WEATHERIZED WOULD BE MORE THAN DOUBLED. THE ADDITIONAL \$11 MILLION WOULD BE UTILIZED TO PROVIDE 1,300 JOBS IN THE PRIVATE SECTOR WITH HOUSING AND MATERIAL-INSTALLER CONTRACTORS.

THE INCREASE IN FUNDING WOULD BE UTILIZED SOLELY TO CREATE JOBS IN THE PRIVATE SECTOR, WHILE THE FUNDS ALREADY AVAILABLE WOULD BE UTILIZED TO PURCHASE THE WEATHERIZATION MATERIALS AND PROGRAM SUPPORT ACTIVITIES. IN INDIANA WE HAVE WORKED CLOSELY WITH THE UNION LEADERSHIP TO OBTAIN EXPERIENCED SUPERVISORS FOR THE WEATHERIZATION CREWS. IN ONE MAJOR INDIANA CITY, THE WEATHERIZATION PROGRAM SERVED AS A TRAINING COMPONENT FOR APPRENTICES OF THE LOCAL CARPENTERS' UNION.

IT IS ESTIMATED THAT 20% OF THE EMPLOYMENT POSITIONS COULD BE ESTABLISHED AND FILLED WITHIN 30 DAYS AFTER THE STATE RECEIVES THE NOTICE-OF-GRANT AWARD. FIFTY PERCENT COULD BE FILLED WITHIN SIXTY (60) DAYS AND ALL 1,300 POSITIONS OPERATIONAL WITHIN NINETY (90) DAYS. THIS MIGHT APPEAR TO BE OVERLY AMBITIOUS, BUT PLEASE NOTE THAT THE FRAMEWORK FOR ACCOMPLISHING THIS TASK IS ALREADY IN PLACE. IT IS ONLY THE INCREASED FUNDING AND AUTHORIZATION THAT IS NEEDED. APPROXIMATELY 60% OF OUR DWELLING WEATHERIZATION ACTIVITIES ARE ACCOMPLISHED UNDER AGREEMENT

WITH PRIVATE CONTRACTORS.

IT WOULD BE OUR INTENT TO EXPAND UPON THE CURRENT AGREEMENT WITH THE CONTRACTORS TO INCREASE THE NUMBER OF DWELLINGS, THE SCOPE OF WORK AUTHORIZED, AND TO INCLUDE THE EMPLOYMENT OF CURRENTLY UNEMPLOYED PERSONS. THE AGREEMENT WOULD INSURE THAT SOME OF THE PERSONS EMPLOYED WOULD BE 55 YEARS OF AGE AND OLDER, A RESULT OF THIS DEPARTMENT ALSO ADMINISTERING THE PROGRAMS AUTHORIZED UNDER THE OLDER AMERICANS ACT.

THE STATE OFFICE WILL CERTIFY, AUTHORIZE AND APPROVE ALL AGREEMENTS WITH PRIVATE CONTRACTORS. ONCE THE UTILITIES AND FUEL VENDORS HAVE IDENTIFIED THEIR CUSTOMERS WHO ARE RECEIVING PROJECT SAFE ASSISTANCE AND THEIR ANNUAL ENERGY CONSUMPTION, THE STATE OFFICE WILL APPROVE AGREEMENTS WITH PRIVATE CONTRACTORS TO WEATHERIZE APPROXIMATELY 2,000 DWELLINGS (10%) TO THE OPTIMAL LEVEL. THESE DWELLINGS WILL BE THOSE IDENTIFIED AS THE HIGHEST ENERGY CONSUMERS. ALL OTHER DWELLINGS WILL BE WEATHERIZED UNDER THE CURRENT DEPARTMENT OF ENERGY GUIDELINES.

IT WOULD BE HIGHLY ADVANTAGEOUS TO HAVE THE LIMITING RESTRAINTS OF THE DEPARTMENT OF ENERGY WEATHERIZATION FOR LOW-INCOME PERSONS REVISED OR SET ASIDE FOR PURPOSES OF THIS PROGRAM. THOSE RESTRAINTS INVOLVE (1) COST PER DWELLING, (2) WORK PRIORITIES, (3) LABOR, AND (4) PROGRAM SUPPORT COSTS. IT IS CLEARLY EVIDENT THAT THE STATES, UTILITIES, LOCAL

AGENCIES ALONG WITH THE PRIVATE CONTRACTORS CAN MORE EFFECTIVELY AND EFFICIENTLY SET THESE GUIDELINES.

IN ORDER TO INSURE THE PROGRAM HAS THE FLEXIBILITY NECESSARY TO CARRY OUT THE FULL INTENT OF THE LEGISLATION, I WOULD STRONGLY URGE THAT THE LOW-INCOME HOME ENERGY ASSISTANCE BLOCK GRANT BE CONSIDERED AS THE GRANT AUTHORIZATION MECHANISM TO THE STATES.

ONCE THE HOUSEHOLDS AND DWELLINGS HAVE BEEN IDENTIFIED, A COMPLETE ENERGY AUDIT AND COST-OF-WORK AND MATERIALS ESTIMATE WILL BE COMPLETED. THE STATE OFFICE WILL REVIEW, APPROVE AND NOTIFY THE UTILITY, DWELLING OWNER, AND THE CERTIFIED PRIVATE CONTRACTOR OF THE AWARDED WORK. THE STATE OFFICE, LOCAL AGENCY AND DWELLING OWNER WILL CERTIFY THE WORK HAS BEEN SATISFACTORILY COMPLETED. UPON SUCH CERTIFICATION, THE PRIVATE CONTRACTOR WILL SUBMIT A CLAIM FOR PAYMENT DIRECTLY TO THE STATE OFFICE.

THIS IS A BRIEF OVERVIEW OF WHAT COULD BE A MAJOR ADDITION AND EXPANSION OF A PROGRAM THAT HAS BEEN VERY SUCCESSFUL IN THIS STATE OVER THE PAST FIVE YEARS. THE PROGRAM DOES REDUCE ENERGY CONSUMPTION; IT DOES REDUCE THE IMPACT OF THE INCREASING COST OF RESIDENTIAL HEATING FUEL; AND IT COULD CREATE LABOR-INTENSIVE EMPLOYMENT IN A STATE THAT HAS EXPERIENCED EXTREMELY HIGH RATES OF UNEMPLOYMENT FOR THE PAST TWO YEARS.

I WILL BE MORE THAN HAPPY TO ANSWER ANY QUESTIONS YOU MIGHT HAVE
AT THIS TIME.

BUDGET SUMMARY

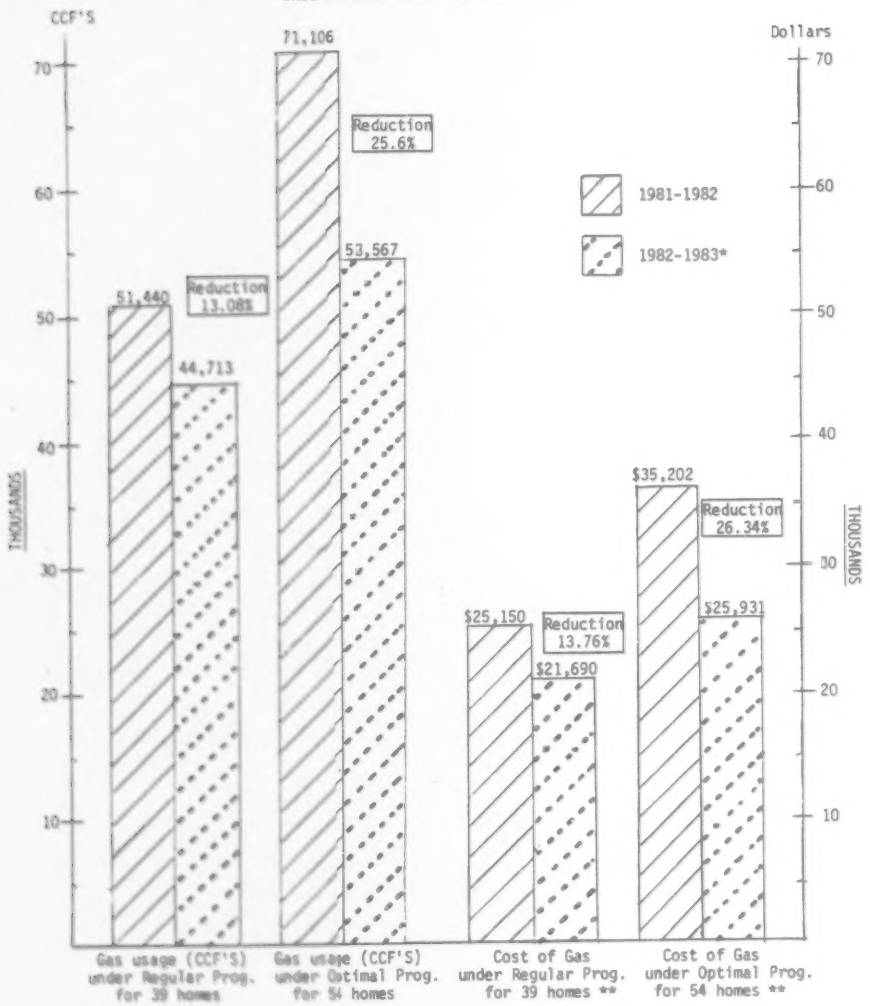
WEATHERIZATION COMPONENT
(FUNDS CURRENTLY IN THE STATE)

ADMINISTRATION	\$ 550,000	
MATERIALS	8,850,000	
PROGRAM SUPPORT COSTS	1,000,000	
LIABILITY INSURANCE	100,000	
TRAINING AND TECHNICAL ASSISTANCE	<u>500,000</u>	
TOTAL		\$11,000,000

EMPLOYMENT COMPONENT
(TO BE APPROPRIATED)

ADMINISTRATION	\$ 220,000	
PERSONNEL (1,300 JOBS)		
SALARIES	8,970,000	
BENEFITS	1,794,000	
SUPPORT ACTIVITIES	<u>16,000</u>	
TOTAL		\$11,000,000
GRAND TOTAL		\$22,000,000

INDIANAPOLIS WEATHERIZATION STUDY



* Inflated for yearly difference in weather

** Adjusted for rate differences as well as weather differences

Senator QUAYLE. Well, thank you very much for a very thoughtful presentation and one to give us insight as we try to examine some of the labor intensive programs that could be accelerated. I think you pointed out there is certainly need for these activities. In the past, we have been very successful in Indiana, and it would certainly serve a good social purpose to move in the direction that you have outlined.

I have just one question. Under title I in S. 242, we talk about accelerating labor intensive programs. We have a cap of \$15,000 per year, per man year. Do you believe that we could create a number of jobs in your area, keeping that cap on at \$15,000 per man year?

Ms. MERRITT. Absolutely. One of the things that we have to bear in mind is the weatherization program, as it is administered in Indiana, at least, utilizes trained union carpenters as the lead man for the weatherization team. It is an on the job training. The average salary that is paid through the weatherization program right now is something under \$10,000.

Senator QUAYLE. So we could create a number of jobs for less than \$15,000 by accelerating the weatherization program?

Ms. MERRITT. That is correct. That is true. In Indianapolis we have run a project with the carpenters union, and they have even chosen some of the young people that have been trained through the weatherization program to go into the regular apprenticeship program. It makes a lot of sense. Many of the people that work on the crews are young people who really do not have skills to do much else, but do learn how to do weatherization. We also recognize that this is a very profitable program for private enterprise, and it makes a lot of sense for us to be thinking along that line.

Senator QUAYLE. OK. Well, again, thank you for your splendid testimony. Thank you for doing a good job.

I would be glad to yield to Senator Grassley who has just arrived at the heart. We are delighted to have you on the subcommittee. And I yield to you if you have any questions or comments at this time.

Senator GRASSLEY. I do not have any questions of the latest witness. But I would like to give an opening statement. Besides complimenting you on the approach of your bill, to address the immediate needs of the unemployed and to reduce the unemployment rate, you are to be commended for your work in the passage of the Job Training Partnership Act last year.

In addition I want to point out my legislative efforts through my membership on the Finance Committee which I hope will help solve our teenage unemployment and structural unemployment problems.

In the TEFRA bill of 1982, I inserted a provision to expand the targeted jobs tax credit to 85 percent for wages paid to youth in the summer months. I hope that businesses will look at that provision as a mechanism which can help address the immediate unemployment problems of teenagers this summer.

Second, I have introduced a bill that provides tax incentives to encourage businesses to donate equipment to community colleges for vocational training as well as experts that they have on their staffs to teach in community colleges in high tech fields. This bill

would assist in the retraining of persons who are unemployed and have no prospect of returning to their occupation because of the economic transition occurring in our economy.

In summary, I compliment you in your efforts, Mr. Chairman. I want to work with you in helping to solve our immediate unemployment problems. I also want to take advantage of my membership on this committee to help make further use of hiring incentives that are already on the books.

Senator QUAYLE. Well, I thank you very much, Senator; you will appreciate much of the testimony we have had in the last 2 days because it does not just go into the immediate problem. Most of us have agreed that the real problem is the long term problem. We had a lot of conversation this morning and yesterday from Governors, mayors, business leaders, labor leaders, on the comparison of tax credits versus a voucher-type approach.

And with your experience on the Finance Committee as well as on this committee, I am sure that we will be able to have an interesting discourse on which is the preferable route upon which to proceed. I think we are both interested in the same solution.

Senator GRASSLEY. I guess in my view one is not exclusive of the other.

Senator QUAYLE. They both approach the problem in the same direction. I think what came out in this morning's testimony, in particular, and yesterday, is that we ought to look at this voucher-type approach. It has not really been given too much consideration. And those are some of the things that we are going to be discussing in the long term.

But I think that the contribution that you can make and maybe carry some of our workload in that Finance Committee, which has overlapping jurisdiction, I think that at least on our side, you are the only one that also serves on that Finance Committee. I know Senator Matsunaga on the other side also serves on the Finance Committee. So we will have, hopefully, a good exchange of information on that.

Senator GRASSLEY. I would like to put my statement in the record, please.

Senator QUAYLE. Your statement will be incorporated in the record in its entirety.

[The prepared statement of Senator Grassley follows:]

STATEMENT OF SENATOR CHARLES GRASSLEY

MR. CHAIRMAN, I WANT TO THANK YOU FOR CONTINUING THESE SUBCOMMITTEE HEARINGS ON POLICIES AND REMEDIES THAT WILL HELP REDUCE UNEMPLOYMENT IN THE MONTHS AND YEARS AHEAD. I THINK THAT MOST OF US AGREE THAT WHILE WE ARE AWARE THAT THE BEST SOLUTION TO UNEMPLOYMENT IS A HEALTHY ECONOMY, WE CANNOT WAIT UNTIL THE RECOVERY RUNS ITS COURSE TO AID THOSE SUFFERING FROM THE EFFECTS OF LAGGING PRODUCTIVITY.

LAST WEEK, CHAIRMAN OF THE COUNCIL OF ECONOMIC ADVISORS, MARTIN FELDSTEIN, TESTIFIED THAT A SUSTAINED ECONOMIC EXPANSION CAN BEST ELIMINATE THE CYCLICAL UNEMPLOYMENT IN THE UNITED STATES. HE REMINDED US THAT PRIVATE EMPLOYMENT IN THE U.S. ROSE BY 339,000 ADDITIONAL JOBS BETWEEN THE MONTHS OF DECEMBER AND JANUARY, FAR MORE JOBS THAN ANY FEDERAL JOBS PROGRAM COULD HAVE PRODUCED WITH THE EXPENDITURE OF BILLIONS OF DOLLARS. AS EVIDENCED BY THIS FIGURE, DR. FELDSTEIN STRESSED THAT THE POTENTIAL JOB-CREATING EFFECTS OF A PUBLIC EMPLOYMENT PROGRAM ARE DWARFED BY THE LIKELY ACCOMPLISHMENTS OF A NATURAL ECONOMIC RECOVERY. THIS INCREASE IN EMPLOYMENT, WHICH REDUCED NATIONAL UNEMPLOYMENT FIGURES BY .4 PERCENT, WAS ACCOMPANIED BY A NUMBER OF OTHER POSITIVE ECONOMIC FACTORS. INDUSTRIAL PRODUCTION INCREASED .9 PERCENT. HOUSING STARTS EXPERIENCED A SHARP RISE, AS DID AUTO PRODUCTION AND SALES. A ONE PERCENT DECREASE IN LAST MONTH'S WHOLESALE PRICE INDEX IS FURTHER TESTIMONY THAT INFLATION IS CONTINUING TO MODERATE. THERE ARE POSITIVE ECONOMIC SIGNS, HOWEVER, WE CAN'T LOSE SIGHT OF THE IMMEDIATE PROBLEMS FACED BY THOSE WHO ARE CURRENTLY UNEMPLOYED.

IN LARGE PART, I AGREE WITH DR. FELDSTEIN, YET I FEEL THAT THERE IS ROOM FOR A MORE ACTIVE FEDERAL ROLE FOR FEDERAL POLICY IN DEALING WITH BOTH SHORT-TERM CYCLICAL AND LONG-TERM STRUCTURAL UNEMPLOYMENT. EVEN AFTER ECONOMIC RECOVERY, THE LONG-TERM UNEMPLOYED, THE LOW-SKILLED DISADVANTAGED AND OUR YOUTHS WILL CONTINUE TO NEED ASSISTANCE IN JOB PLACEMENT AND IN TRAINING. VALID PROPOSALS ENCOMPASSED IN S. 242, SENATOR QUAYLE'S EMPLOYMENT OPPORTUNITIES ACT, SHOULD BE THOROUGHLY EXAMINED BY THIS BODY. EFFORTS TO REMOVE DISINCENTIVES FOR RETURNING TO WORK AND SEEKING TRAINING SHOULD BE REMOVED FROM OUR UNEMPLOYMENT COMPENSATION PROGRAM. GREATER ASSISTANCE FOR DISLOCATED WORKERS WHO ARE UNABLE TO RETURN TO THEIR INDUSTRIES WOULD PROVIDE BETTER ASSISTANCE IN JOB-SEARCHING, RELOCATION AND RETRAINING.

RETRAINING IS AN IMPORTANT KEY IN ACHIEVING FULL EMPLOYMENT AND ASSISTING THE UNEMPLOYED. TO DATE, PUBLIC INCENTIVES OVERWHELMINGLY FAVOR CAPITAL AND TECHNOLOGY INCENTIVES OVER WORKER TRAINING AS A ROUTE TO IMPROVED PRODUCTIVITY. HOWEVER, INVESTMENT IN OUR WORK FORCE IS CRUCIAL FOR ECONOMIC RENEWAL AND TO STRENGTHEN THE COMPETITIVENESS OF AMERICAN INDUSTRY. THE NEED TO EXPAND OUR TRAINING PROGRAMS IS EVIDENCED BY THE FACT THAT MANPOWER EXPERTS ANTICIPATE THAT THE WORKER OF THE FUTURE WILL NEED TO BE TRAINED SEVEN TIMES DURING HIS EMPLOYMENT. THEREFORE, THE DISPLACEMENT THAT IS OCCURRING BY OUR FUNDAMENTAL ECONOMIC TRANSITION FROM OLDER MANUFACTURING INDUSTRIES TO RAPIDLY GROWING HIGH TECHNOLOGY AND SERVICE INDUSTRIES, IS NOT A FLEETING PROBLEM.

ONE PROPOSAL WHICH I HAVE INTRODUCED IS A BILL TO PROVIDE TAX

INCENTIVES FOR THE DONATION OF EQUIPMENT FOR VOCATIONAL TRAINING AT OUR INSTITUTIONS OF HIGHER EDUCATION. THIS BILL ALSO ENCOURAGES THE LENDING OF TECHNICAL INSTRUCTORS FROM INDUSTRY AND THE CREATION OF WORK OPPORTUNITIES FOR VOCATIONAL INSTRUCTORS TO REAQUAINT THEM WITH CURRENT INDUSTRY PRACTICES AND STATE-OF-THE-ART TECHNOLOGY. WHILE THIS BILL IS A MINIMAL ATTEMPT TO ADDRESS OUR TRAINING NEEDS, I HOPE IT WILL BE STUDIED BY THE ADMINISTRATION AND MY COLLEAGUES.

I WOULD LIKE TO ADD THAT AS WE ADDRESS SUCH REMEDIES FOR OUR NATION'S UNEMPLOYMENT PROBLEMS, WE NEED TO ENCOURAGE GREATER UTILIZATION OF THOSE PROGRAMS WHICH DO EXIST. FOR INSTANCE, I INSERTED A PROVISION IN THE TAX EQUITY AND FISCAL RESPONSIBILITY ACT WHICH WILL GIVE EMPLOYERS AN 85 PERCENT TAX CREDIT AGAINST WAGES PAID FOR HIRING ECONOMICALLY DISADVANTAGED TEENAGERS DURING THE COMING SUMMER MONTHS. WITHOUT A CONCERTED EFFORT ON THE PART OF INDUSTRY, GOVERNMENT AND LABOR TO NOTIFY EMPLOYEES AND EMPLOYERS OF THIS PROVISION, AN EXISTING PROGRAM MIGHT FALL SHORT OF ITS GOALS. THERE ARE OTHER HIRING INCENTIVES IN OUR CURRENT LAWS AND TAX CODE WHICH PERHAPS HAVE BEEN UNDER-UTILIZED IN THE PAST. GREATER NOTIFICATION BY INDIVIDUALS AND ORGANIZATIONS COULD ASSIST INDUSTRIES IN MAKING WISER HIRING DECISIONS WHICH COULD YIELD ADDITIONAL JOBS.

THANK YOU, MR. CHAIRMAN. I LOOK FORWARD TO THE COMMENTS OF THE WITNESSES ON OUR CURRENT UNEMPLOYMENT PROBLEMS AND RECOMMENDATIONS FOR REMEDIAL SOLUTIONS.

Senator QUAYLE. The next panel is Mr. Racehorse and Mr. Waln. Go ahead and proceed, Mr. Racehorse. I am going to excuse myself for 1 minute. Please start, Mr. Racehorse.

STATEMENTS OF LONNIE RACEHORSE, COORDINATOR, LEGISLATIVE TASK FORCE, INDIAN AND NATIVE AMERICAN EMPLOYMENT AND TRAINING COALITION, AND CARL WALN, CHAIRMAN, ROSEBUD SIOUX TRIBE AND MEMBER, EXECUTIVE COMMITTEE, COUNCIL OF ENERGY RESOURCE TRIBES, ACCOMPANIED BY BRUCE PRETTY BIRD

Mr. WALN. Thank you, Mr. Chairman. My name is Carl Waln. And I am the chairman of the Rosebud Sioux Tribe located in South Dakota. With me today is tribal councilman, Bruce Pretty Bird.

I will submit my prepared statement for the record and turn the majority of the testimony over to Councilman Pretty Bird for your review.

[The prepared statement of Mr. Waln follows:]

TESTIMONY OF CARL WALN, CHAIRMAN, ROSEBUD SIOUX TRIBE, MEMBER, EXECUTIVE
COMMITTEE OF THE COUNCIL OF ENERGY RESOURCE TRIBES

I am Carl Waln, Chairman of the Rosebud Sioux Tribe located in South Dakota. With me today is Bruce Pretty Bird. I am also a member of the Executive Committee of the Council of Energy Resource Tribes (CERT), a coalition of 37 American Indian tribes established in 1975 to bolster our capabilities of managing our energy resources to enhance our prospects for long-term economic advancement.

At the outset, I wish to express my deep appreciation to this Committee for providing me with the opportunity to appear today to describe the very critical employment problems confronting my tribe which, I am unhappy to say, is not atypical of the problems on many reservations today. American Indians have always been on the cutting edge of our nation's economic conditions, and today as our country struggles under the burden of unemployment exceeding ten percent, many reservations such as ours are confronted with the awesome reality that over 80% of our people are out of work. We are truly in a situation that can be called a crisis, and I am very pleased that this Committee is moving ahead swiftly with these hearings to investigate possible remedies to get at least some of our people to work as soon as possible.

I am sure that all of you are painfully aware of the fact that severe unemployment on Indian reservations is not a new problem. Even when the nation's economy has been relatively healthy, reservation unemployment has hovered at three to four times the national average, with persistent unemployment on individual reservations in excess of 50 and 60 percent not at all uncommon. By every major indicator of the social and economic well-being - income, education, employment and health - our people always come out at the bottom.

To the 15,000 people living on the Rosebud Sioux reservation these dismal statistics have meaning in everyday life. As I mentioned, over 80% of our workforce is unemployed — and the figure is still rising. Many of our families have total incomes well below a hundred dollars a week. We have always faced an exceptionally high level of unemployment, but recently our situation has gone from bad to worse. Just in the last two months I have had the sad experience of having to lay off 90 people who were carrying out critical work for the tribe because we could not pay them. Requests to my office for assistance by families with especially severe financial problems have nearly doubled in the past four months. And at the present time we have no suggestions to give them about where the family breadwinner can go in search of a job.

The anguish that ultimately comes from unemployment has taken its toll on our people. Incidence of alcoholism is on the rise. Our mortality rates are twice as high as the national average, with infant mortality nearly three times greater than that experienced nationally. And according to U.S. Government estimates, at least 55% of our people live in substandard, overcrowded housing.

Now, after painting this dismal picture I do not want to leave you with the impression that we are in a hopeless situation. On the contrary, our tribe is hopeful and confident that we can develop a reservation economy that is stable and capable of generating gainful employment for our members. We understand the underlying causes of our situation, and recognize that our structural unemployment problems stem directly from the fact that with the exception of a few service enterprises there is virtually no private sector on the reservation. This structural problem has been recently exacerbated by the slump in the region's and the nation's economy, and by cuts in federal assistance to the tribe.

Attacking our structural problems is clearly a long-term proposition, and the Rosebud Sioux along with the other CERT tribes view building a private sector foundation as the ultimate means of establishing a healthy reservation economy. While we are confident that with appropriate federal assistance we can build such a foundation, we can not wait until new enterprises locate on the reservation to meet the needs that we have right now. The bills that are the subject of this hearing are designed to put people into jobs in short order — which is what we must do, while we continue our efforts to foster long-term economic development.

I know that discussions of employment programs often conjure up images of "make work" jobs that direct scarce financial resources to projects with little real value. I can tell this Committee in all candor that this is definitely not the case on my reservation. We have needs that are going begging at the present time: we desperately need to provide assistance to our law enforcement and fire protection offices, improvements in our substandard road system, and day care assistance. Public facilities designed for use of all of our reservation residents are in a major state of disrepair. We have a critical need for ambulance drivers and support staff for our satellite health care facilities which are located in remote corners of our reservation. This is particularly important in light of the fact that even though our reservation covers a very large geographic area, less than 60% of our population has access to private automobiles (public transportation is non-existent).

We can put people to work right now on jobs requiring relatively little training, but which would serve to enhance our longer term economic objectives. One example that immediately comes to mind is improving fencing on our reservation grazing lands. We have the materials and the plans for the project, so we could put our people to work immediately. By simply putting up better fencing we could dramatically improve the productivity of our agricultural enterprises, thereby benefitting the entire community.

These are vital, human needs that are not being met today - needs that could be filled without extensive training and with a minimum of time. We know what these needs are and could put people to work immediately, with appropriate funding.

As I said earlier, my tribe looks to development of a viable private sector on the reservation as a permanent solution to our employment problems. I am confident that we can engender an environment conducive to private investment on our reservation, and am in fact currently engaged in discussions with a number of firms who have expressed serious interest in locating at Rosebud, provided that we can overcome several serious obstacles confronting us. One of the most severe of these is that we do not have an adequate physical base to support even the light industries that are quite commonplace in other rural areas of the West. We have identified some key construction projects, such as upgrading segments of our water and sewer system, that are vital to accomodating these industries on our reservation. However, with our tribal government currently struggling to provide basic services to our members, we cannot move ahead with these projects without outside financial assistance. I believe that a small amount of federal investment in our reservation infrastructure needs now would go a long way toward establishing a base for permanent, meaningful employment for our tribe in the very near future.

Training is another key to attacking our structural employment problems. I am very pleased that Congress approved the Job Training Partnership Act last year, and am particularly gratified that the unique needs of Native Americans were addressed in Title IV-A. At the same time, however, I must express my dismay at the proposed level of funding in FY 1984 for Native American programs under this title, which is 17% less than training funds available this fiscal year. I hope that this Committee carefully examines whether the funding that is proposed is really adequate to assure that the objectives established by the Congress in the JTPA are indeed met.

In summary, we are facing a critical situation on our reservation today. I sincerely believe, however, that with appropriate assistance we can successfully attack our immediate employment problems while building a foundation for a stable reservation economy in the longer term. There is much work to be done — meaningful, necessary work — and I believe that the time for starting it is now.

Senator GRASSLEY [presiding]. You may proceed.

Mr. PRETTY BIRD. Thank you, Mr. Chairman. If the committee has no objections, the testimony from the Rosebud Sioux Tribe and the testimony from the Native American CETA Coalition somewhat complement one another, and we have previously agreed that we feel that this may be a little bit more understandable sequence of events in our testimony.

So we will go first, although they are first on the——

Senator GRASSLEY. Proceed.

Mr. PRETTY BIRD. Mr. Chairman, we would like to enter for the record our full testimony.

Senator GRASSLEY. That will be done. Please proceed.

Mr. PRETTY BIRD. The Rosebud Sioux Tribe would like to thank this committee for allowing us to share with you our concerns and thoughts on the most critical problem facing the Indian reservation today, unemployment.

To the 15,000 people living on the Rosebud Sioux reservation, unemployment has a very real meaning in everyday life. The Rosebud Sioux Tribe is currently suffering an unemployment rate in excess of 80 percent, and it is still rising. Even during times when the national economy is healthy, Indian tribes suffer an unemployment factor five to six times greater than the national average.

Current unemployment conditions and other recessionary factors created intolerable living conditions on our reservations. Many of our families have total incomes of less than \$100 a week. Requests to the tribal council office for assistance by families with especially serve financial problems have nearly doubled in the past 4 months.

The indicators that best reflect the conditions on our reservation, such as crime, alcoholism, and suicides are rising at an alarming rate. I think the statistical data in our full testimony will bear this out. The full testimony, the statistical data, and everything, as you will notice, will paint a very, very dismal picture on the Indian reservation. I would venture to say that we are probably feeling the effects of unemployment and recession more so than any other element in the United States today.

After painting this dismal picture, I do not want to leave you with the impression that our situation is hopeless, however. On the contrary, our tribe is confident that we can develop a reservation economy that is capable of generating gainful employment for our members. We understand the causes of our situation and recognize that our problems stem directly from the fact that, with the exception of few enterprises, there is virtually no private sector on the reservation.

This structural problem has been recently worsened by the slump in the region and the Nation's economy and by cuts in Federal assistance to the Indian tribes. Attacking our structural problems is clearly a long-term proposition, and the Rosebud Sioux Tribe, along with other tribes, view building a private sector as the ultimate means of establishing a healthy reservation economy.

While we are confident that with appropriate Federal assistance we can build such a foundation, we cannot wait until a new enterprise is located on the reservation to meet the needs that we have right now.

The bills that are the subject of this hearing are designed to put people into jobs in short order, which is what we must do while we continue our efforts to foster long-term economic development. I know that discussions of employment programs often conjure up images of make work jobs that direct scarce financial resources to projects with very little value.

But I can assure you on our reservation this is not the case. We have needs that are going begging at the present time. We have plans; we have projects; we have jobs that have previously been designed. The needs have been identified, but the dollars for implementation were not there.

We desperately need to provide assistance to our law enforcement, fire protection offices, improvements in our substandard road system and day care assistance. Public facilities designed for use of all our reservation residents are in a major state of disrepair. We have a critical need for ambulance drivers and support staff for our satellite health care facilities which are located in remote corners of our reservation.

We can put people to work right now on jobs requiring relatively little training, but which would serve to enhance our long-term economic objectives. One example that immediately comes to mind is improving fencing on our reservation grazing land. We have the materials and plans for the project so we could put our people to work immediately. By simply putting up better fencing, we could improve the productivity of our agriculture enterprise, thereby benefiting the entire community.

As I said earlier, my tribe looks at the development of a viable private sector on the reservation as a permanent solution to our unemployment problems. I am confident that we can engender an environment conducive to private investment on our reservation, provided that we can overcome serious obstacles confronting us. One of the most severe of these is that we do not have an adequate economic base to support even light industry that is quite commonplace in other rural areas of the West.

I believe that a small amount of Federal investment in our reservation infrastructure needs now would go a long way toward establishing a base for permanent, meaningful employment for our tribe in the very near future.

Training is another key to attacking our structural employment problems. I am very pleased that Congress approved the Job Training Partnership Act last year, and I am particularly gratified that the unique needs of native Americans were addressed in title 4(a). At the same time, however, I must express my dismay at the proposed level of funding in fiscal 1984 for native American programs under this title, which is approximately 17 percent less than training funds available this fiscal year.

I hope that this committee carefully examines whether the funding of that proposal is really adequate to assure that the objectives established by Congress in the JTPA are indeed met.

Mr. Chairman, a couple of important points that I feel are of major concern to our tribe in particular and in speaking with other tribes I know that they share our same views. One, it is our understanding in reviewing the bill that at the present time there is no Indian language in the bill. The other concern about the bill in

particular is the \$100 million ceiling for Federal programs. That would virtually eliminate most of the Federal programs other than the overall BIA funding and IH funding component that now serves the Indian reservations.

Very truthfully, Senator, when we hit town, we discovered that there were any number of jobs bills that were floating around the Hill, and not being familiar with all of them, just superficially, our current condition and circumstances on our reservation—we are concerned somewhat of the design of the bill as it comes down to our reservation.

But our circumstances are so desperate that our concern is not so much the design nor the politics that go into that particular design, but the fact that our need for a speedy and successful jobs program to impact our reservation is probably our most major concern, and a jobs program that is going to have an impact and effect on not only, you know, our unemployment factor, but our local economy desperately needs a shot in the arm.

I would thank this committee for allowing us to share our concerns and ideas with you. We see it as a very good opportunity.

Thank you.

[The prepared statement of Mr. Pretty Bird follows:]

TESTIMONY OF INDIAN AND NATIVE AMERICAN EMPLOYMENT AND TRAINING COALITION

I am grateful for the opportunity to appear before the Committee to draw your attention to the jobs crisis that is stalking Indian Country and to share ideas about what needs to be done about it.

The jobs crisis in Indian Country is affecting virtually every Indian family in nearly every Indian and Native American community. It has resulted from the simultaneous collapse of both the public sector economy and the newly emerging private sector economy in our communities. The Indian jobs crisis exists not because there is a lack of work that needs to be done, but because there is a lack of paying jobs to do that work.

Our message to the Committee is a simple one: No "jobs" bill considered by the Congress should ignore those communities that suffer the most severe unemployment in the country -- Indian communities.

Dimensions of the Indian Jobs Crisis

We know a number of things about the staggering dimensions of the jobs crisis in Indian Country:

1. Many tribes estimate that current unemployment rates on their reservations are in the vicinity of 80% to 90% measured in terms of their total available labor force. In many cases these rates have jumped 10 to 20 percentage points from the rates that prevailed in late 1980 and early 1981. Unemployment among Indian workers in off-reservation areas is a mirror image of reservation conditions.
2. Thousands of jobs have disappeared in the natural resource industries -- mining, lumbering, fishing -- which are key to many reservation economies.

Lagging levels of general business investment and consumer spending have adversely affected tribal industrial development and tourism programs.

3. The bottom has fallen out of the public sector jobs market. Deep and disproportionate spending cuts by the federal government have slashed Indian jobs as well as crippled vital services to Indian people. An estimated 10,000 Indian jobs were lost through just one federal action, the defunding of the CETA Public Service Employment programs.

The human toll which the Indian jobs crisis has taken is real. On the White Earth reservation in northwestern Minnesota, unemployed workers are forced to earn small sums by trapping leeches -- dipping coffee cans with pieces of liver into the lake to attract leeches to sell for bait to non-Indian fishermen. On the San Carlos reservation in Arizona, unemployed workers hunt among the rocks of the desert for a small green gemstone. It reportedly takes a day to find enough material to fill a coffee can with stones. The can sells for \$5. The stories from other reservations are similar.

There is one answer to all of these needs and to the despair they evoke: jobs.

Lessons of Past Job Creation Efforts

A number of important lessons can be drawn from an analysis of past job creation efforts that are relevant to the current Indian jobs crisis.

First, real help must be provided now -- before despair and dependency become any worse. Direct federal assistance for direct Indian job creation is urgently needed now. A

program which includes a public service jobs component offers the fastest and the surest way of putting Indian people to work.

Second, an in-place delivery system exists to operate such a program. It is the network of Indian tribal governments and Indian and Native American organizations that have successfully operated employment programs for nearly a decade, first under CETA and now under the Job Training Partnership Act.

Third, any job creation program must include authority for the direct funding of Indian and Native American programs and a special Indian set-aside in order to insure that the Indian unemployed actually receive the benefits from the program.

Fourth, any "jobs" bill must provide flexibility for the operation of Indian programs so that special program rules can be written, tailored to meet the specific needs of Indian communities.

Fifth, the unit within any federal Department or agency administering such a program must be one with past experience in Indian-serving programs.

Specific Legislative Recommendations

Many "jobs" bills have been introduced in the Congress. Unfortunately, none of them address Indian needs directly in the sense that none of them meet the requirements I have just described. Therefore, our efforts must be directed to asking

that any legislative proposal reported from this Committee and from the other Committees concerned with the jobs issue conform as closely to Indian needs as possible.

I would like to make several specific recommendations concerning two of the major proposals pending before this Committee, S. 242 and S. 493.

First, with respect to S. 242 which you have introduced Senator Quayle, along with Senator Hatch, I would urge you to insure that the bill will permit funds to flow to those programs that are certain to create jobs for Indian workers. We would strongly prefer that the bill include a specific Indian set-aside. However, even in the absence of such a set-aside, funds would be likely to flow to Indian programs if -- and only if -- several features of Title I of the bill are amended:

1. The bill must explicitly exempt Indian-serving programs from the \$100 million threshold requirement found in Section 102(a)(2) and the related 10% requirement found in Section 103(b). There are almost no Indian programs, as the word "program" would normally be defined, which have FY 1983 operating levels above \$100 million. Unless the bill is amended to provide such a waiver, very few, if any, Indian workers would benefit from the bill.
2. The bill should be amended to clearly enable the Indian employment program administered by the Department of Labor itself under Section 401 of the Job Training Partnership Act to qualify as a recipient of funds under the bill. Indian grantees under JTPA and the predecessor CETA law have a great deal of experience in successfully operating direct employment programs which can quickly and effectively employ Indian people in delivering vital services to Indian communities. This capability

should be fully utilized.

With respect to S. 493 which you have introduced, Senator Kennedy, along with a number of other members of the Committee, I would also like to make several recommendations:

1. Indian programs would receive funding under Section 103 of the bill, as it would create a Title II-C of JTPA with a funding formula linked to the allocation of summer youth employment program money. Tribal JTPA grantees share in those funds. However, the bill should make clear that the new Title II-C funds going to Indian grantees should be administered through the procedures established in Section 401(e) of JTPA and the Secretary should be required to prescribe special rules for the program to insure the flexibility to meet the needs of Indian youth.
2. Other aspects of S. 493, as currently written, do not provide any assurance at all that the funds involved would create jobs for any unemployed adult Indian workers. The programs authorized in the bill, especially the transfer of funds to HUD for supplemental funding of the Community Development Block Grant program and the emergency assistance program authorized in Title III of the bill, should have provisions for special Indian set-asides, program regulations and administrative procedures which will enable the funds to go to Indian recipients and to be adapted to Indian needs.

With the types of changes I have described, I feel that these legislative proposals can begin to address the jobs crisis in Indian Country.

Terrible as the current crisis is, it is also an opportunity. There is plenty of work that needs to be done in Indian Country. There are talented and willing workers available to do that work. All that's necessary is for this Committee and the Congress generally to help us put the two together.

Senator QUAYLE [resuming the Chair]. Thank you very much, Mr. Racehorse. Mr. Waln.

Senator GRASSLEY. We reversed procedure on you while you were out.

Senator QUAYLE. Oh, OK. Sorry. Mr. Racehorse?

Senator GRASSLEY. Right.

Mr. RACEHORSE. My name is Lonnie Racehorse. I am the Executive Director for the Idaho Intertribal Policy Board, and I work for the five tribes in the State of Idaho. I am also the coordinator for the legislative task force for the Indian and Native American Employment and Training Coalition. That is one of the reasons I am here. And I am grateful for the opportunity to appear before the subcommittee to draw your attention to the jobs crisis that is stalking Indian country and to share our ideas about what needs to be done about it.

The jobs crisis in Indian Country is affecting virtually every Indian family in nearly every Indian and Native American community. It has resulted from the simultaneous collapse of both the public sector economy and the newly emerging private sector economy in our communities.

The Indian jobs crisis exists not because there is any lack of work that needs to be done, but there is lack of paying jobs to do the work. Our message to this subcommittee is a simple one: no jobs bill considered by the Congress should ignore these communities that suffer the most severe unemployment in the country, which is the Indian communities. I would like to emphasize the dimensions of the Indian jobs crisis.

We know a number of things about the staggering dimensions of the jobs crisis in Indian country. Many tribes estimate that current unemployment rates on their reservations are in the vicinity of 80 to 90 percent, measured in terms of their total available labor force.

In many cases these rates have jumped 10 to 20 percentage points from the rates that prevailed in late 1980 and early 1981.

Unemployment among Indian workers in off-reservation areas is a mirror image of the reservation conditions.

No. 2: Thousands of jobs have disappeared in the natural resource industries: mining, lumbering, fishing, which are key to many reservation economies. Lagging levels of general business investment and consumer spending have adversely affected tribal industrial development and tourism programs.

The bottom has fallen out of the public sector jobs market. Deep and disproportionate spending cuts by the Federal Government have slashed Indian jobs as well as cut vital services to Indian people. An estimated 10,000 Indian jobs were lost through just one Federal action, the defunding of the CETA public service employment programs. The human toll which the Indian jobs crisis has taken is real and true.

With this I would like to talk about the lessons of the past job creation efforts. A number of important lessons can be drawn from an analysis of past job creation efforts that are relevant to the current Indian jobs crisis. First, real help must be provided now before despair and dependency become any worse.

Direct Federal assistance for direct Indian job creation is urgently needed now. A program which includes a public service jobs component offers the fastest and surest way of putting Indian people to work.

Second, an in-place delivery system exists to operate such a program; it is the network of Indian tribal governments and Indian and Native American organizations that have successfully operated employment programs for nearly a decade, first under CETA and now under the Job Training Partnership Act.

Third, any job creation program must include authority for the direct funding of Indian and Native American programs and a special Indian set-aside in order to insure that the Indian unemployed actually receive the benefits from the program.

Fourth, any jobs bill must provide flexibility for the operation of Indian programs so that special program rules can be written, tailored to meet the specific needs of Indian communities.

Fifth, the unit within any Federal department or agency administering such a program must be one with past experience of Indian serving programs.

Specific legislative recommendations are what I would like to touch on at this point. I would like to make several specific recommendations on two of the major proposals pending before this committee, S. 242 and S. 493. First, with respect to Senate bill 242, which you have introduced, Senator Quayle, along with Senator Hatch, I would urge you to insure that the bill permits funds to go to those programs that are certain to create jobs for Indian workers.

We would strongly prefer that the bill include a specific Indian setaside. However, even in the absence of such a setaside, funds would be likely to flow to Indian programs if and only if several features of title 1 of the bill are amended. No. 1, the bill must explicitly exempt Indian serving programs from the \$100 million threshold requirement found in section 102(a)(2) and the related 10 percent requirement found in section 103(b). There are almost no Indian programs, as the word "program" would normally be defined, which have fiscal year 1983 operating levels above \$100 million.

Unless the bill is amended to provide such a waiver, very few, if any, Indian workers will benefit from the bill. The bill should be amended to clearly enable the Indian employment program to be administered by the Department of Labor itself under section 401 of the Job Training Partnership Act to qualify as a recipient of funds under the bill.

The grantees under JTPA and the predecessor, the CETA law, have a great deal of experience in successfully operating direct employment programs which can quickly and effectively employ Indian people in delivering vital services to the Indian community.

This capability should be fully utilized. I will not get into the Senate bill 493 at this time, you know, for the sake of time. But with the type of changes I have described, I feel that these legislative proposals can begin to address the jobs crisis in Indian country.

Terrible as the crisis is, it is also an opportunity. There is plenty of work that needs to be done in Indian country. There are talent-

ed and willing workers available to do that work. All that is necessary is for this committee and the Congress generally to help us put the two together.

Thank you, Senator, for the opportunity to testify before your subcommittee. I ask permission to have my prepared statement included on the Record.

Senator QUAYLE. Thank you very much. I have just one question: both of you mentioned the \$100 million cap we have on labor intensive programs. If that were removed, would there be Indian programs that could be accelerated that would provide jobs?

Mr. RACEHORSE. The way the bill now reads, it is through other Federal programs. There is no set-aside for Indian tribes or tribal councils or Indian organizations at this point. So we would have to go one step further and add that kind of language to the bill.

Senator QUAYLE. Well, what if you just eliminated the \$100 million cover that is presently on there? Would that take care of the problem?

Mr. RACEHORSE. The only problem is the—when you ask for the proposals coming in from other Federal agencies, the only ones that are qualifying at this point are the Bureau of Indian Affairs and Indian Health Service, which administer programs for Native Americans in tribes throughout the country.

So, you would have to change that specific language also. That would help, though.

Senator QUAYLE. OK, gentlemen, thank you very much for your testimony. And we will certainly take into consideration all the relevant points that you made. I appreciate you coming forth with very direct conversation to a very important problem that we have. Thank you very much.

Mr. RACEHORSE. Thank you.

Mr. PRETTY BIRD. Thank you, Senator.

Senator QUAYLE. Next will be Ms. Paul MacIlwaine. Welcome and go ahead and proceed.

STATEMENT OF PAULA MACILWAINE, COUNTY COMMISSIONER, MONTGOMERY COUNTY, OHIO, ACCOMPANIED BY MATTHEW COFFEY, EXECUTIVE DIRECTOR, NATIONAL ASSOCIATION OF COUNTIES

Ms. MACILWAINE. Mr. Chairman, members of the subcommittee, my name is Paula MacIlwaine. I am a commissioner from Montgomery County, which is Dayton, Ohio, and I chair the employment steering committee, and today I am accompanied by Matthew Coffey, executive director of the National Association of Counties.

We are here today to testify on three bills, an administration proposal, Senate bills 242, 493, and 266. There are features of each of these bills that we like, and of course there are some things, some concerns that we would like to raise.

In Senate bill 242, first we would like to commend our distinguished chairman for his early recognition of the severity of the unemployment problem facing this country. We like the amendments to JPTA, to the title 3, the dislocated workers provisions, and we generally approve of the amendments. But we also support the imposition of a requirement for Federal procurement in labor

surplus areas and the elimination of the requirement of prior State approval of the dislocated worker training.

We are concerned with the labor intensive programs which are part of Senate bill 242. We are further concerned that the legislation does not require that the long-term unemployed be hired and guarantee an equitable distribution of funds to areas of high unemployment, nor to identify clear lines of accountability. In Senate bill 493, the Emergency Jobs Training and Family Assistance Act, it specifies the dollars, services, and clients group in great detail. The result is that we know where we stand. It removes the discretion available to Federal officials, but it leaves little discretion to local elected officials.

County governments are already active participants, often contributing a considerable share of funds from dwindling local general revenues. Most of the Federal funds under this bill are channeled through community development bloc grants. We need to point out that the current distribution formula in that grant excludes county governments with less than 200,000 population, while it does fund cities of 50,000.

On page 5 of my testimony, there is a chart which will show the States that will get less than 12 percent of the funds under the community development bloc grant formula. The administration's proposal, most funds flow through community development bloc grants, and unlike Senate bill 493, there is no reference in this proposal to altering the formula to target funds to areas of high unemployment. In Senate bill 266, the Community Renewal Employment Act, it provides for the greatest degree of local determination and the most equitable distribution of funds targeted to areas of highest unemployment.

We also endorse the following principles: guaranteeing quick starts using local governments as service deliverers. We have, for instance, in Dayton, Ohio, a district heating project that is ready to go with some additional help. Through a jobs proposal we could get this thing moving, and I have some information on that I would like to leave with my testimony.

We also want to provide for equitable distribution of Federal funds to units of general local government of 50,000 population or more.

We want to target funds to communities hardest hit by unemployment, restrict the hiring to the long-term unemployed, limit the length of enrollment and tie appropriations to unemployment to underscore the temporary emergency nature of this measure.

We want to maximize Federal dollars, and the predominant share of the funds goes for wages rather than materials. We want to pay people for productive work, not enforced idleness and provide a wide range of job opportunities, permit the revitalization of community services and facilities for the young, handicapped, elderly, poor, sick, hungry, and homeless.

We want to, most of all, permit flexibility at the local level and to balance the needs for infrastructure repair with the need for basic human services. Past experience with Federal jobs programs also advises caution in two other areas: the so-called maintenance of effort language needs to be worded very carefully, and of course we are interested in making sure that it conforms with State law.

We need to insure the participation of all eligible jurisdictions while simultaneously conforming to the State law. Infrastructure repair is a top priority for many local governments. Materials are costly. This bill does limit the cost to 25 percent, and we would suggest a more generous 30 percent.

This leaves 70 percent for wages and benefits; the 70-30 split has received administration support in another context.

In closing, let me add that we would welcome the opportunities to work with the subcommittee members on further job creation efforts, and we appreciate the opportunity to speak on behalf of our national association to this committee and look forward to answering your questions.

[The prepared statement of Ms. MacIlwaine follows:]

STATEMENT OF PAULA MACILWAINE, COMMISSIONER, MONTGOMERY COUNTY, OHIO, ON BEHALF OF THE NATIONAL ASSOCIATION OF COUNTIES* BEFORE THE SUBCOMMITTEE ON EMPLOYMENT AND PRODUCTIVITY OF THE SENATE COMMITTEE ON LABOR AND HUMAN RESOURCES.

MR. CHAIRMAN, MEMBERS OF THE SUBCOMMITTEE, MY NAME IS PAULA MACILWAINE, COMMISSIONER OF MONTGOMERY COUNTY, OHIO. I CHAIR THE EMPLOYMENT STEERING COMMITTEE OF THE NATIONAL ASSOCIATION OF COUNTIES. I AM ACCOMPANIED TODAY BY MATTHEW B. COFFEY, EXECUTIVE DIRECTOR OF THE NATIONAL ASSOCIATION OF COUNTIES.

WE ARE HERE TODAY TO TESTIFY ON THREE BILLS AND AN ADMINISTRATION PROPOSAL FOR JOBS CREATION. THESE BILLS ARE

S. 242, THE "EMPLOYMENT OPPORTUNITIES ACT OF 1983;"

S. 493, THE "EMERGENCY JOBS, TRAINING AND FAMILY ASSISTANCE ACT;"

THE ADMINISTRATION COMPROMISE PROPOSAL FOR JOBS CREATION; AND

S. 266, THE "COMMUNITY RENEWAL EMPLOYMENT ACT."

THERE ARE FEATURES OF EACH OF THESE BILLS WHICH WE LIKE, AS WELL AS CONCERNS WE NEED TO RAISE. I WOULD LIKE TO CONSIDER BRIEFLY EACH OF THESE BILLS.

* THE NATIONAL ASSOCIATION OF COUNTIES IS THE ONLY NATIONAL ORGANIZATION REPRESENTING COUNTY GOVERNMENT IN THE UNITED STATES. THROUGH ITS MEMBERSHIP, URBAN, SUBURBAN, AND RURAL COUNTIES JOIN TOGETHER TO BUILD EFFECTIVE, RESPONSIVE COUNTY GOVERNMENT. THE GOALS OF THE ORGANIZATION ARE TO: IMPROVE COUNTY GOVERNMENTS; SERVE AS THE NATIONAL SPOKESMAN FOR COUNTY GOVERNMENT; ACT AS A LIAISON BETWEEN THE NATION'S COUNTIES AND OTHER LEVELS OF GOVERNMENT; ACHIEVE PUBLIC UNDERSTANDING OF THE ROLE OF COUNTIES IN THE FEDERAL SYSTEM.

S. 242

WE WISH TO COMMEND THE DISTINGUISHED CHAIRMAN FOR HIS EARLY RECOGNITION OF THE SEVERITY OF THE UNEMPLOYMENT PROBLEM FACING THIS NATION. WE AGREE WITH THE NECESSITY OF FEDERAL INTERVENTION TO CREATE TEMPORARY JOBS UNTIL THE ECONOMY CAN REGAIN ITS MOMENTUM. THE "EMPLOYMENT OPPORTUNITIES ACT OF 1983," S. 242, IS IMPRESSIVE IN ITS BREADTH --- AMENDING AS IT DOES THE INTERNAL REVENUE CODE OF 1954, THE HIGHER EDUCATION ACT OF 1965, AND THE JOB TRAINING PARTNERSHIP ACT OF 1982. WE SUPPORT THESE AMENDMENTS ALONG WITH:

1) THE IMPOSITION OF A REQUIREMENT FOR FEDERAL PROCUREMENT IN LABOR SURPLUS AREAS, AND 2) THE ELIMINATION OF THE REQUIREMENT OF PRIOR STATE APPROVAL OF DISLOCATED WORKER TRAINING. EACH OF THESE AMENDMENTS IS DESIGNED TO REMOVE INEQUITIES OR OBSTACLES TO COORDINATION OF FEDERALLY-SUPPORTED PROGRAMS.

WE ARE CONCERNED WITH THE LABOR INTENSIVE PROGRAMS WHICH ARE PART OF S. 242. IN ORDER TO OBTAIN FUNDS FOR JOBS AND SERVICES AT THE LOCAL LEVEL, WE WOULD PROBABLY HAVE TO PREPARE MULTIPLE APPLICATIONS, WITH SUPPORTING ASSURANCES, TO AT LEAST SEVEN FEDERAL

AGENCIES. THE RESULT MIGHT BE RECEIPT OF ASSISTANCE FOR LOWER PRIORITY EFFORTS INSTEAD OF BEING ABLE TO DECIDE LOCALLY WHAT TO DO. CONSIDERABLE DISCRETION IS LEFT TO FEDERAL OFFICIALS. NOWHERE DOES THE LEGISLATION:

- 1) REQUIRE THAT THE LONG-TERM UNEMPLOYED BE HIRED,
- 2) GUARANTEE AN EQUITABLE DISTRIBUTION OF FUNDS TO AREAS OF HIGH UNEMPLOYMENT, NOR
- 3) IDENTIFY CLEAR LINES OF ACCOUNTABILITY.

WE ARE CAUGHT IN THE DILEMMA OF NOT BEING ABLE TO CHOOSE WHAT TO FUND LOCALLY, YET THE ULTIMATE SUCCESS OF THE LEGISLATION SEEMS LIKELY TO DEPEND ON OUR PARTICIPATION.

S. 493

THE "EMERGENCY JOBS, TRAINING AND FAMILY ASSISTANCE ACT," S. 493, SPECIFIES THE DOLLARS, SERVICES, AND CLIENT GROUPS IN GREAT DETAIL. THE RESULT IS WE KNOW WHERE WE STAND. IT REMOVES THE DISCRETION AVAILABLE TO FEDERAL OFFICIALS UNDER S. 242, BUT IT LEAVES LITTLE DISCRETION TO LOCAL ELECTED OFFICIALS.

THERE CAN BE NO QUESTION OF THE NEEDS IN EACH OF THESE

AREAS SPECIFIED. COUNTY GOVERNMENTS ARE ALREADY ACTIVE PARTICIPANTS, OFTEN CONTRIBUTING A CONSIDERABLE SHARE OF FUNDS FROM DWINDLING LOCAL GENERAL REVENUES.

MOST OF THE FEDERAL FUNDS UNDER THIS BILL ARE CHanneLED THROUGH COMMUNITY DEVELOPMENT BLOCK GRANTS (CDBG). WE NEED TO POINT OUT THAT THE CURRENT DISTRIBUTION FORMULA IN THAT GRANT PROGRAM EXCLUDES COUNTY GOVERNMENTS WITH LESS THAN 200,000 POPULATION WHILE FUNDING CITIES OF 50,000. IT ALSO LEAVES TWENTY STATES WITH LESS THAN TWELVE PERCENT OF THE DOLLARS, BASED ON AN ANALYSIS OF THE DISTRIBUTION OF FUNDS UNDER CDBG IN FISCAL YEAR 1982. UNDER THE URBAN DEVELOPMENT ACTION GRANT PROGRAM (UDAG), THESE SAME STATES RECEIVED LESS THAN 10 PERCENT OF THE FEDERAL FUNDS. THESE ARE STATES WITH WIDELY DISPERSED POPULATIONS, BUT INCLUDE SOME WITH UNEMPLOYMENT RATES IN EXCESS OF THE NATIONAL AVERAGE. BELOW ARE THE TWENTY STATES AND THEIR AVERAGE RATES OF UNEMPLOYMENT FROM OCTOBER, 1981, THROUGH SEPTEMBER, 1982, WHEN NATIONAL UNEMPLOYMENT WAS 9.2 PERCENT.

ALABAMA	13.3%	NEW HAMPSHIRE	6.7%
ALASKA	9.8%	NEW MEXICO	8.5%
ARKANSAS	9.9%	NORTH DAKOTA	5.0%
IDAHO	9.4%	OKLAHOMA	5.0%
IOWA	8.5%	SOUTH CAROLINA	10.5%
KANSAS	5.6%	SOUTH DAKOTA	5.1%
MAINE	8.3%	UTAH	7.5%
MISSISSIPPI	10.3%	VERMONT	7.0%
MONTANA	8.4%	WEST VIRGINIA	11.7%
NEVADA	8.7%	WYOMING	4.9%

IF YOU WERE TO ADD STATES THAT ARE PRIMARILY RURAL WITH A MAJOR CENTRAL CITY, THE RESULTS WOULD BE EVEN MORE DRAMATIC.* THOSE STATES INCLUDE:

ARIZONA	8.7%	NEBRASKA	5.4%
COLORADO	6.6%	NORTH CAROLINA	8.4%
HAWAII	6.4%	OREGON	11.2%
KENTUCKY	10.2%	TENNESSEE	10.9%
LOUISIANA	10.1%	WASHINGTON	11.7%
MINNESOTA	6.8%		

*THESE LISTS DO NOT INCLUDE THE SMALL STATES OF DELAWARE OR RHODE ISLAND.

WE ARE NOT SURE HOW THE CHANGE IN THE FORMULA ENVISIONED IN S. 493 WOULD RECTIFY THIS SITUATION, IF AT ALL.

ADMINISTRATION PROPOSAL

OUR CONCERN WITH THE PROPOSAL OUTLINED BY THE ADMINISTRATION IS SIMILAR TO S. 493. MOST FUNDS UNDER THE ADMINISTRATION PROPOSAL ALSO FLOW THROUGH COMMUNITY DEVELOPMENT BLOCK GRANTS. UNLIKE S. 493, THERE IS NO REFERENCE IN THE ADMINISTRATION PROPOSAL TO ALTERING THE FORMULA TO TARGET FUNDS TO AREAS OF HIGH UNEMPLOYMENT.

S. 266

OF THE BILLS BEFORE THE SUBCOMMITTEE, THE "COMMUNITY RENEWAL EMPLOYMENT ACT," S. 266, PROVIDES FOR:

- 1) THE GREATEST DEGREE OF LOCAL DETERMINATION, AND
- 2) THE MOST EQUITABLE DISTRIBUTION OF FUNDS TARGETED TO AREAS OF HIGH UNEMPLOYMENT.

WE ENDORSE THE PRINCIPLES DESCRIBED BELOW WHICH ARE CONTAINED IN S. 266, AND RECOMMEND THAT THEY BE INCLUDED IN A COMMITTEE BILL.

- 0 GUARANTEE A QUICK START, USING LOCAL GOVERNMENTS AS SERVICE DELIVERERS WITH EXPERIENCE IN EMPLOYMENT PROGRAMS, A PROVEN TRACK RECORD, AND ACCOUNTABILITY FOR PUBLIC FUNDS;
- 0 PROVIDE FOR THE EQUITABLE DISTRIBUTION OF FEDERAL FUNDS TO UNITS OF GENERAL LOCAL GOVERNMENT OF 50,000 POPULATION OR MORE, BASED ON LOCAL NEEDS FACTORS;
- 0 TARGET FUNDS TO COMMUNITIES HARDEST HIT BY UNEMPLOYMENT, SUCH THAT ALL AREAS ARE ELIGIBLE, BUT THE FUNDS INCREASE IN PROPORTION TO THE SEVERITY OF THE PROBLEM;
- 0 RESTRICT HIRING TO THE LONG-TERM UNEMPLOYED WITH PRIORITY FOR THOSE WHO HAVE EXHAUSTED OR ARE INELIGIBLE FOR UNEMPLOYMENT INSURANCE -- DEFINING LONG-TERM UNEMPLOYED SO THAT THE ISSUE OF YOUTH UNEMPLOYMENT CAN BE ADDRESSED THROUGH THIS BILL AS WELL;
- 0 LIMIT THE LENGTH OF ENROLLMENT AND TIE APPROPRIATIONS TO UNEMPLOYMENT TO UNDERSCORE THE TEMPORARY, EMERGENCY NATURE OF THIS MEASURE;

- O MAXIMIZE FEDERAL DOLLARS FOR JOB CREATION TO ENSURE THAT, FOR THE DOLLARS SPENT, THE GREATEST NUMBER OF INDIVIDUALS CAN BE HIRED AND THE PREDOMINANT SHARE OF FUNDS GOES FOR WAGES RATHER THAN MATERIALS;
- O PAY PEOPLE FOR PRODUCTIVE WORK, NOT ENFORCED IDLENESS;
- O PROVIDE A WIDE RANGE OF JOB OPPORTUNITIES, THUS FACILITATING THE BEST POSSIBLE MATCH BETWEEN THE SKILLS OF THE UNEMPLOYED AND THE WORK TO BE DONE;
- O PERMIT THE REVITALIZATION OF COMMUNITY SERVICES AND FACILITIES FOR THE YOUNG, THE HANDICAPPED, THE ELDERLY, THE POOR, THE SICK, THE HUNGRY AND THE HOMELESS;
- O PERMIT FLEXIBILITY AT THE LOCAL LEVEL TO TAILOR THE PROGRAM TO THE NEEDS OF THE COMMUNITY, SELECTING FROM A WIDE RANGE OF ALLOWABLE ACTIVITIES; AND
- O BALANCE THE NEEDS FOR INFRASTRUCTURE REPAIR WITH THE NEEDS FOR BASIC HUMAN SERVICES.

WE HAVE NOT SEEN AN ANALYSIS OF THE FLOW OF FUNDS BY STATE OR LOCALITY USING THE FORMULA DESCRIBED IN S. 266. SUCH AN ANALYSIS

WOULD BE OF INTEREST TO US. OTHER OPTIONS MIGHT ALSO BE CONSIDERED, SUCH AS THE DISTRIBUTION OF FUNDS BASED ON AN AVERAGE UNEMPLOYMENT RATE OF NINE OR TEN PERCENT OVER THE THREE OR SIX HIGHEST CONSECUTIVE MONTHS WITHIN A TWELVE MONTH PERIOD.

PAST EXPERIENCE WITH FEDERAL JOB PROGRAMS ALSO ADVISES CAUTION IN TWO OTHER AREAS. SO-CALLED "MAINTENANCE OR EFFORT" LANGUAGE NEEDS TO BE WORDED VERY CAREFULLY. MANY JURISDICTIONS ARE NOW INVOLVED IN GOVERNMENT-WIDE HIRING OR BUDGETARY FREEZES. IS JOB CREATION IN THESE JURISDICTIONS ALLOWABLE UNDER THE BILL'S CURRENT "MAINTENANCE OF EFFORT" LANGUAGE? WE CONSIDER LOCAL GOVERNMENT PARTICIPATION ESSENTIAL.

ANOTHER POSSIBLE PROBLEM IS CONFORMITY WITH STATE LAW. STATE LAW OFTEN REQUIRES BIDDING ON CONSTRUCTION WORK. IN CALIFORNIA THIS IS CALLED "FORCE ACCOUNT." IN WASHINGTON IT IS CALLED "BID LIMIT." GIVEN THE EXTENT OF INFRASTRUCTURE REPAIR ENVISIONED UNDER THIS BILL, THIS ISSUE IS CRITICAL. WE NEED TO ENSURE THE PARTICIPATION OF ALL ELIGIBLE JURISDICTIONS WHILE SIMULTANEOUSLY

CONFORMING TO STATE LAW.

INFRASTRUCTURE REPAIR IS A TOP PRIORITY FOR MANY LOCAL GOVERNMENTS. MATERIALS ARE COSTLY. THE BILL LIMITS COSTS TO 25 PERCENT. SOME LIMITATION IS NECESSARY. WE SUGGEST A MORE GENEROUS 30 PERCENT. THIS LEAVES 70 PERCENT FOR WAGES AND BENEFITS.. A 70 - 30 SPLIT HAS RECEIVED ADMINISTRATION SUPPORT, ALBEIT IN ANOTHER CONTEXT.

IN CLOSING, LET ME ADD THAT WE WELCOME ANY OPPORTUNITY TO WORK WITH SUBCOMMITTEE MEMBERS FURTHER ON JOB CREATION EFFORTS. WE APPRECIATE THE OPPORTUNITY TO APPEAR BEFORE THIS SUBCOMMITTEE HEARING. WE LOOK FORWARD TO ANSWERING YOUR QUESTIONS.

Senator QUAYLE. Thank you very much.

Under S. 266, which you feel is more reflective of your approach than some of the other proposals, I believe you are talking about a \$5 billion program which supposedly is to translate into a stated 1 million jobs; that will come out to about \$5,000 per job.

Do you accept that figure?

Ms. MACILWAINE. There is a limit on the wage of \$10,000. I would only say that a person on welfare with their benefits would add up to about that if you include the medical benefits, and, in my opinion, it is much better to have a person—to spend \$5,000 and have a person gain some experience, some work experience that might be translated later into the private sector than to have them sitting at home collecting a welfare check and not getting any experience in work-related activity.

Senator QUAYLE. So, the question is: Do you accept the figure that was stated in Senator Cranston's remarks on the record when he introduced this bill, that the \$5 billion is going to provide 1 million jobs? That will translate into \$5,000 per job. And I just wanted to know if you accept that figure?

Ms. MACILWAINE. I am getting some advice from the NaCo staff because I want to be sure that I am representing the counties, and Ms. Elston is telling me that there is a \$10,000 limit which can be matched by a local amount of money, and the 75 percent—it is only 75 percent of the wages being represented in that. Is that correct?

Senator QUAYLE. Yes; but this would only be the salary, \$5,000 per job; that would not include the materials. That would not include the fringe benefits. And I just want to know if you accept that figure, that there are going to be 1 million jobs in this bill that you philosophically embrace.

Ms. ELSTON. Maybe it is a slot versus a job. There may be people moving into that job, and it may serve that many people without serving that many—without providing that many full-time permanent jobs.

Senator QUAYLE. There is going to be a tremendous turnover, is there not?

If you are going to try to get the so-called 1 million jobs that has been highlighted, I think you are going to run into a problem—if you stick to those figures, the 1 million jobs for \$5 billion program.

Do you agree it is going to be a problem?

Ms. MACILWAINE. I agree that it is very difficult to firmly calculate the number of jobs created by a \$5 billion program. We have already agreed that 75 percent of the available funds actually pays the wages, so it is not a simple calculation.

If the economy improves, people who are working through this program can move into the private sector, and more people can move into the program.

Senator QUAYLE. We all want a general economic recovery; I think everybody is for that. On page 7, you say that to provide for the equitable distribution of Federal funds all units of general local government with a 50,000 population or more must be included.

How many general, local government units of 50,000 population or more do we have in the country?

Ms. MACILWAINE. There are about 2,000 units of local government under 50,000 population. I am not sure what it is. I guess our point here is that we do not feel it is fair that cities of 50,000 should be eligible for community bloc-grant distribution and counties are ineligible unless there are at least 200,000.

Senator QUAYLE. Say that once again.

Ms. MACILWAINE. Well, under the formula of community development bloc grants, you must be a unit of local government of at least 200,000, and yet cities of 50,000 population are eligible, whereas counties are not. And I guess representing the counties, we feel it should be either all units of 50,000 or over or that there should be a better formula that would adapt to both counties and cities.

Senator QUAYLE. Units of general, local government of 50,000 or more would be more than just counties. I mean, within certain counties there are local governments of 50,000 or more; so it is much more than 200,000.

Do you have any idea how many units we are really talking about of 50,000 or more? Do you have a list of who these people may be or what these units may be?

Ms. MACILWAINE. We can provide that for you if you are interested in that.

Senator QUAYLE. Does the Department of Labor have a list like that?

Ms. ELSTON. Yes; the Bureau of Labor Statistics—

Senator QUAYLE. They have it broken down into units of general, local government of 50,000 population or more? I would be interested in seeing how many we are talking about because I think you are talking about literally thousands. That would be very chaotic.

Ms. MACILWAINE. The Federal agency that distributes community development bloc grants would have it because that is how—

Senator QUAYLE. Yes; but you are breaking it down from 200,000 to 50,000.

You see, that is what we are trying to get at. I would be interested in the number of how many general, local governments we are really talking about of 50,000 population or more. I think you will find—at least I would think it is quite considerable.

Ms. MACILWAINE. We will see if we can get that for you.

Mr. COFFEY. Senator, I think the point that we are making is that at the present time cities of 50,000 or more are included in CDBG. Counties are not. We are talking about adding approximately 2,000 counties to that list that is currently eligible under CDBG. That is our problem with the approach of CDBG, that you have a higher population cutoff for counties than you do for cities.

Senator QUAYLE. Are you just going to do it for counties, or do you want general, local governments included?

Mr. COFFEY. Yes; general, local governments, I think.

Senator QUAYLE. That would be a lot more than the counties. Potentially, she says 2,000, but if we are really talking about general, local governments, we are talking about more than 2,000.

Ms. MACILWAINE. If you want to give it just to the counties, we will accept that.

Senator QUAYLE. Pardon?

Ms. MACILWAINE. I said, if you want to just give it just to the counties, I guess we would accept that.

Senator QUAYLE. OK. Senator Grassley?

Senator GRASSLEY. You favor additions to the legislation requiring emphasis upon jobs for the long-term unemployed. That is part of your testimony.

Ms. MACILWAINE. Yes.

Senator GRASSLEY. How do you envision that would work, and have you ever had any experience with it?

Ms. MACILWAINE. With?

Senator GRASSLEY. That sort of requirement. How would you envision an emphasis on the hiring of long-term unemployed?

Ms. MACILWAINE. Well, I think it is right under the Jobs Training Partnership Act and also with dislocated workers. There are provisions for that.

Senator GRASSLEY. OK. And so you envision that working exactly the same way it does in those programs.

Ms. MACILWAINE. I think it would be very close.

Senator GRASSLEY. And that is what you are asking us to do?

Ms. MACILWAINE. Yes.

Senator QUAYLE. Thank you very much for your testimony, and we will look forward to working with you as we did on the Job Training Partnership Act.

Ms. MACILWAINE. Thank you.

Senator QUAYLE. Our last panel is Mr. Sam Husk, Ms. Helen Blank, and Mr. Karl Pnasek, and Mr. Frank Minsel. May I inquire, Senator Grassley, are you going to be able to stay for another 15 minutes or so to hear this panel?

Senator GRASSLEY. Yes.

Senator QUAYLE. I wonder if you would go ahead and chair this. I have a meeting to attend. I thought we might have been done by 12

o'clock. I certainly would appreciate it if you would chair the remainder of the hearing.

I welcome the panel, and I thank my distinguished colleague from Iowa, Senator Grassley for chairing the hearing.

Senator GRASSLEY. Thank you. Why don't we proceed in the order listed on the agenda.

Mr. Husk, would you like to proceed?

STATEMENT OF SAMUEL B. HUSK, EXECUTIVE DIRECTOR, COUNCIL OF GREAT CITY SCHOOLS; HELEN BLANK, MEMBER, CHILDREN'S DEFENSE FUND; KARL S. PNAZEK, EXECUTIVE DIRECTOR, ENERGY CONSERVATION COALITION, ACCOMPANIED BY FRANK MINSEL

Mr. HUSK. Thank you, Senator. My name is Sam Husk, and I am executive director of the Council of Great City Schools, which is an organization, a membership organization composed of 30 of the largest city school systems.

And, Senator, I would like to submit our formal testimony for the record.

Senator GRASSLEY. It will be printed in the record in full.

Mr. HUSK. I would like to summarize and make a few comments on our testimony and the testimony that has been presented this morning.

I think the basic issues that we would like to have the committee consider as it begins a markup on this bill within a short time are three. First of all, as has been stated by previous panelists, there is a need in the legislation to have some kind of direction toward youth employment. We know the impact of youth unemployment on structural unemployment statistics; we also know the impact of youth unemployment or the lack of youth training as a contributor to even cyclical unemployment as the youth progress to ages 16 through 24.

So it is very, very necessary in this bill to take a look at what ways we address the problem of dislocated workers and some of the other types of workers who have added to the unemployment rolls, but also how we can take a shot at the structural unemployment and help youth.

The second point is that if the committee decides to move into a labor intensive piece of legislation, that school systems are very, very capable of providing the opportunity for such labor intensive work. We have submitted as a part of our testimony a report, "Maintenance Gap Deferred Repair and Renovation in the Nation's Elementary and Secondary Schools," which documents that we have outstanding about \$25 billion of work that needs to be done in public elementary and secondary schools across the Nation. Much of this is related to repairing the roofs of old structures that were built back in the 1920's, as well as getting into such more modern issues such as energy conservation, and asbestos.

As you know, the Congress a couple of years ago passed legislation which required all of the public schools in this country to remove the danger of asbestos in those school buildings. It has not provided a single dollar for that removal. It is all being done and has to be done with local expenditures, and must be done, accord-

ing to regulations, by May 31 of this year. So I would suggest that you have in that one program alone an area where you could get turnaround in 60 to 90 days of work in the public school system.

In addition to that, the track record of the public school system under the public employment program has been, I think, outstanding, and that although the number of slots that the public schools have been allotted have been few, the record and history of the employees who have been hired under public employment programs has been that they have gone on to private sector or public sector placement, either within the school system or developed skills which they could move to the private sector. So I think you have a ready opportunity for that.

In addition, I think, in Senator Quayle's bill and the bill that was cointroduced by Mr. Hatch, S. 242, you do have a provision there that would allow expenditures of funds to be made through ordinary authorized programs, and we have some very labor intensive programs that have been authorized.

For example, title 1 of the Elementary and Secondary Education Act which provides educational opportunities to low-income kids throughout the Nation, is a program which is running about 70 to 75 percent toward salaries and wages. Now, it may be that there might be some problem with the \$15,000 limit, but I think it is probably something that can be utilized if you take a teacher who is unemployed, if you take a parent who has been a parent aide who is unemployed, if you bring some of the community resources to help support the local school building with unemployed people using structures developed by volunteer programs, and so forth.

And it would certainly be greater than what we had under public employment provisions, which limited us to \$12,000 per job.

I think, Senator, that I have probably taken enough time in summarizing what we have in our testimony, laying out—we do have this concern that youth employment ought to be a part of this initiative, as well as the other emphases that are made, that the schools do have the capability and the administrative structure. You are not going to be adding anything on to the administrative structure of the school system in order to implement a labor intensive, quick turnaround repair service program in the public school system.

Thank you, Senator.

[The prepared statement and additional material of Mr. Husk follows:]

Testimony
on
Emergency Jobs Legislation
before the
Senate Subcommittee on Employment and Productivity

Presented by
Samuel B. Husk, Executive Director
The Council of the Great City Schools

February 23, 1983

Testimony on Emergency Jobs Legislation
by the
Council of the Great City Schools

The Council of the Great City Schools is pleased to take this opportunity to testify before this Subcommittee on proposed emergency employment legislation.

Currently in its 26th year, the Council and its 30 member inner-city school systems serve nearly 5 million young people, 30% of whom are from families receiving public assistance and 75% of whom are minorities. On our Board sit the Superintendent and one Board of Education member from each district, making the Council the only national organization so constituted and the only education coalition whose membership is solely urban.

Mr. Chairman, the communities represented in our organization are experiencing unemployment rates approaching 20% for the general population and over 50% for minority youth. It is those communities that can benefit most from a federal jobs program, and in which the public schools can play a significant role.

The Council and other national education organizations including the American Association of School Administrators, the National School Boards Association, the American Federation of Teachers, and the National Education Association, have been dismayed that more serious attention has not been paid to the ability of the nation's schools to assist in alleviating the current unemployment problems. Elementary and secondary education is the principle activity of 20% of the nation's population and accounts for 7% of the nation's Gross National Product (GNP). In addition, schools hire a larger number of and wider variety of workers, and maintain a greater number of buildings than any other public institution.

Mr. Chairman, the Council of Great City Schools, the National School Boards Association, and the American Association of School Administrators jointly published last month a report entitled "The Maintenance Gap: Deferred Repair and Renovation in

the Nation's Elementary and Secondary Schools", whose text we will submit for the Record. In this report we outline the significant role that schools could play in providing jobs in both skilled and unskilled trades. A national survey done in conjunction with the report identified approximately \$25b in accumulated deferred maintenance needs in the nation's elementary and secondary schools.

Construction projects are not, obviously, the only vehicle through which emergency jobs might be provided but there are a number of points that argue in favor of such a strategy, at least in part. The survey done by the three national education groups found that the physical plant of many school systems is deteriorating rapidly with plumbing, wiring and heating systems dangerously out-of-date, roofing that is below code, and transit systems that are judged by some to be unsafe. In addition, disruptions in class routine are experienced as facilities break down, a phenomenon that does nothing to increase public confidence in the nation's schools. In general, the school systems that participated in the survey identified repair and renovation needs in the following areas: roofing, heating and ventilation, broilers, and federal mandated needs such as asbestos containment and architectural barrier removal.

The kinds of work required to meet these needs involve a wide variety of jobs including roofers, carpenters, furniture repairmen, glazers, boiler repairmen, sheet metal workers, cement finishers, paving equipment operators, and other skilled and unskilled laborers. Unlike the recently enacted highway bill, however, school construction and repair needs are highest in the same areas where unemployment is most severe, providing an ideal mesh between building needs and employment needs. Furthermore, this type of work cannot be characterized as "make work" but is substantial work for much-needed repairs, and can be characterized as "labor-intensive".

For the most part, the needs listed by each school in the survey can be documented on a school-by-school basis and have been setting on the shelf awaiting funding. Because

of the careful logging of needs, work on most school buildings could begin with 60 to 90 days.

Mr. Chairman, we realize that meeting the needs of the unemployed through the construction industry is not the only avenue the Congress could follow. The Council would like to suggest a variety of ways that Congress could use schools to address national employment needs.

Recommendations for Jobs Package:

The Council of the Great City Schools would recommend that a variety of approaches with schools could be used to address the unemployment problem. Our organization would like to see the following components included in any new jobs package:

A. General Repair and Renovation. The Council of the Great City Schools recommends that the Congress authorize and appropriate \$1.5b for the general repair and renovation of public elementary and secondary schools, public libraries, and colleges and university buildings in high need areas. The distribution of funds should be based on unemployment rates and structural joblessness. A legislative mechanism to accomplish this is being introduced in the House this week and has the enthusiastic endorsement of the nation's education community.

B. Currently Authorized Programs. In addition to the above listed new authorization we would recommend that the new emergency jobs package include additional appropriations for the following currently-authorized programs.

- PL 96-270, the Asbestos School Hazard Detection and Control Act of 1980. This authorization provides grants and loans to school districts to identify, remove, or encapsulate asbestos from buildings containing classrooms. The program has never been funded, but school systems throughout the nation are required to

have met EPA regulations on asbestos detection and control by May 31 of this year.

- PL 94-142, Section 607, the Education of All Handicapped Act. This authorization permits the use of federal funds to remove architectural barriers to handicapped students. To date, this program has not been funded but federal regulations calling for the removal of such barriers are in operation. The national survey discussed earlier indicates that the unmet need in this area and the area of asbestos-removal totals to about \$3.8b.
- National Energy Policy Conservation Act. This authorization provides federal funds of about \$48m/year to the nation's schools and hospitals for energy conservation efforts. The program has been proposed for elimination under the FY84 budget.
- Community Development Block Grants. This authorization permits the use of CDBG funds for the renovation of school buildings, but is infrequently used for such purposes. We would recommend that funding in this act give a higher priority to maintenance needs in public schools.

C. Jobs for Youth.

The Council is much in favor of the youth jobs component contained in the legislation proposed by Senator Kennedy, known as the Emergency Jobs Training and Family Assistance Act. \$1.0b is authorized in this bill for youth age 15 to 19 living in poverty neighborhoods who agree to stay in school or return to school. This proposal appears to address joblessness on two fronts -- one short-term and the other long-term. The data on youth unemployment and the unemployment of minority workers continue to emphasize that obtaining a job while young and remaining in school are essential to

addressing the so-called structural unemployment problem. We would recommend, however, that youth to age 14 be permitted to participate in the program, and that section 276 (3) (c) be strengthened to ensure that dropouts will be encouraged to return to school.

D. Public Service Employment. The Council would also recommend that some manner of emergency public service job component be included in the new jobs package, and that school systems be allowed to participate. As was stated previously, school systems employ large numbers of and a wide variety of jobs in each district. Because of the federal budget cuts, thousands of school employees, including teachers, teacher aids, maintenance personnel, and security personnel, have lost their jobs. In some communities the loss of jobs in the local schools has contributed up to one-half a percentage point on the unemployment scale. We would welcome the opportunity to return the expertise of these individuals to our schools.

In reference to S. 242, the Employment Opportunities Act of 1983, the Council views positively the general approach that would provide additional funding to currently authorized programs throughout the federal government. We would recommend that such programs include Chapter 1 of the Education Consolidation and Improvement Act which is extremely labor-intensive and is now targeted on areas of high need. Title I of Senator Quayles bill appears to be a good approach, although somewhat limited in size.

Mr. Chairman, we are pleased to appear before this important subcommittee and stand willing with other education groups to help you in developing strategies to address the nation's troublesome employment problems. Thank you very much.

**The Maintenance Gap: Deferred Repair and Renovation
in the Nation's Elementary and Secondary Schools**

January 1983

A Joint Report by the

**American Association of School Administrators
Council of Great City Schools
National School Boards Association**

The Maintenance Gap: Deferred Repair and Renovation
in the Nation's Elementary and Secondary Schools

The nation's educational infrastructure is in a state of critical disrepair. Building experts estimate that schools are deteriorating at a far faster rate than they can be repaired, and faster than most other public facilities. Plumbing, electrical wiring, and heating systems in many schools are dangerously out-of-date; roofing is below code in thousands of schools; and school-operated transit systems are judged by some to be unsafe. The accumulated cost to repair the nation's public elementary and secondary schools can now be conservatively placed at approximately \$25 billion.¹ The purpose of this report is to bring to light a critical part of the public infrastructure problem, the deterioration of America's school buildings.

The data for the report comes from 100 school systems across the country, including the major inner-city districts, suburban and rural districts. The problem reported is evident in every type of district although it is more critical in some districts than in others.

Many children and teaching staff are experiencing increasing disruptions in class routine as heating facilities, lighting, and buses break down. Dangerous levels of asbestos continue to exist in many schools; barriers to handicapped youngsters remain. The result has been not only reduced efficiency and productivity, but a deteriorated sense of confidence among the public in our education facilities. Worn-out, shabby and unsafe facilities create impressions of the educational

¹ This is a current dollar figure.

capabilities of the schools. When the public feels uncertain about the schools educational capability it is difficult to convince the public to vote the taxes required to maintain the schools.

School Districts: the largest unit of Local Government

The condition of the nation's public schools has received almost no serious consideration. This lack of attention is surprising when one considers that elementary and secondary education is the principal activity of 20% of the nation's population: 41 million public school students, 2.4 million teachers, and 300,000 administrators. In addition, the 16,000 school districts nationwide will spend approximately 7% of the Gross National Product (GNP) in FY 1983 -- over \$100 billion -- to teach children to read and write. In fact, several school systems (e.g. New York City, Los Angeles, and Chicago) have larger annual budgets than some states.

Education forms the largest single public enterprise in most communities, with schools hiring a larger number and wider variety of workers and maintaining a greater number of buildings than any other public institution.² The idealized image of the one-room school is no longer an accurate portrayal of our educational establishment. The school infrastructure problem is of a magnitude equal to or exceeding all other government facilities.

Reasons for Maintenance Gap

The physical deterioration of the public schools is the result of a

²Nationwide in 1980 were 4,278,000 local school employees and 3,663,000 local government employees. Source: Table 508, Statistical Abstract of the United States - 1981, U.S. Department of Commerce, Bureau of the Census.

wide variety of factors. Like many public facilities, the schools were hit hard in the 1970's by the rapid increase in energy prices. Most schools, particularly in the older eastern communities, continue to be heated with fuel oil that has escalated in market price and is required in greater quantity in older buildings. The Chicago district, for example, saw its electrical costs increase by 494% between 1972 and 1980 and its natural gas costs rise by 196% over the same period. The proportion of funding devoted to increasing fuel costs has robbed schools of monies needed to update boilers or change to cheaper forms of heating. The problem is further compounded for schools that often require higher temperatures for very young children.

Public schools have also been severely hit by recent state tax and expenditure limitation measures, now enacted in 29 states since 1977. Pressures to reduce funding because of revenue limitations have normally resulted in sharper cuts to structural maintenance and capital outlays than to essential functions like instruction. In many cases the only remaining options for meeting repairs involve special levies or bonds. Levies are rejected by local voters in ever increasing numbers, and the new registered bond requirement in the 1982 Tax Act is expected to increase interest rates for school bonds issued to cover maintenance and capital expenses.

A third major reason for the physical deterioration of many public schools involves the age of the buildings, especially those found in the older cities. Nearly 20% of the schools in the older industrial cities were built before 1920, and a large number constructed before 1900 are still in use. In Chicago for instance, 100 of that city's 585 schools

(17.1%) were built before 1900, and many of these were constructed immediately following the Chicago fire of the 1870's. Electrical and plumbing facilities are literally falling apart in many of these buildings.

In addition to these factors, school buildings are also subject to inordinately high levels of wear and tear, vandalism, and other security problems. With the exception of public transportation systems, schools are open for public use for longer hours each day, a practice that puts a greater strain on the physical plant. Schools also service a younger population more often involved in property destruction and theft. Los Angeles Schools, for instance, reported 91 fires costing the system \$1.2 million in the 1981-1982 school year and 40,000 broken windows costing \$1 million. Vandalism and burglary of school property tend to be slightly more prominent in the suburbs where the value and quality of equipment is higher, but the phenomenon is universal.³ The result is not only higher costs and more frequent repairs but a drain on school system budgets for needed security measures.

Another factor for school infrastructure needs involves population changes and cutbacks in capital spending. Between 1950 and 1970 the number of school-aged children in the population grew 5.5%. This trend resulted in school construction and repair throughout the nation. The Morgan Guarantee Trust of New York estimates that spending on new educational buildings increased at an annual average rate of over 6% in that twenty year period, even though maintenance spending as a percentage of local school budgets decreased dramatically. Capital outlays in the

³Safe School Study, National Institute of Education, 1977.

major cities actually dropped 30% between 1970 and 1980. In this ten year period, the nation's public elementary and secondary school population dropped about 14% overall, and about 24% in the major cities. Annual spending on new school buildings increased by an average of only 1.4% a year over that ten year period, a rate lower than that spent on any other public facility except highways and bridges.

With the decline in enrollments, school construction and repairs essentially stopped by 1970. By 1990, education enrollment projections indicate that Nursery and Kindergarten enrollment will jump 33%. The cost of building and renovating additional space for this second generation baby boom will be added to the unpaid bill for deferred maintenance and capital outlays.

The final factor contributing to the enormous backlog of repair needs involves state and federal requirements to meet health and safety requirements. Section 504 of the Rehabilitation Act (P.L. 93-112) requires, for instance, that schools and other public buildings be made accessible to the physically handicapped, and is strictly enforced by the courts. The cost of an elevator between floors of an existing building will cost approximately \$90,000 a piece. Three ramps for the handicapped to the Central Administration building cost the Philadelphia schools \$250,000 when the city Art Commission ruled that the additions had to be architecturally compatible with nearby museums.

EPA requirements on asbestos removal and clean air regulations governing boilers are other areas where the federal government mandates that schools spend millions of dollars. At an estimated cost of \$6.00/square foot to remove asbestos, the total cost in school districts

with millions of square feet of interior space can be prohibitive. Despite the requirements imposed by federal law, no funding from Washington has ever been provided.

The number of facilities operated by the schools and the amount of floor space is normally quite large, and far in excess of any other type of public metropolitan institution. The Fairfax County, Virginia, schools, for example, operate 187 buildings with over 17 million square feet of space. The Portland schools have total floor space in excess of the city's downtown acreage.

The effort required to maintain these huge facilities is both large and varied. School maintenance typically requires attention to roofing, interior and exterior painting, electrical systems, carpentry, heating and air conditioning, mechanical repairs, paving and blacktopping, transportation systems, security, flooring, lighting, food service, plumbing, masonry, and a host of other areas. Buildings usually include regular classroom facilities, portable units, administration buildings, bus barns, laboratories, warehouses and other service buildings.

Findings

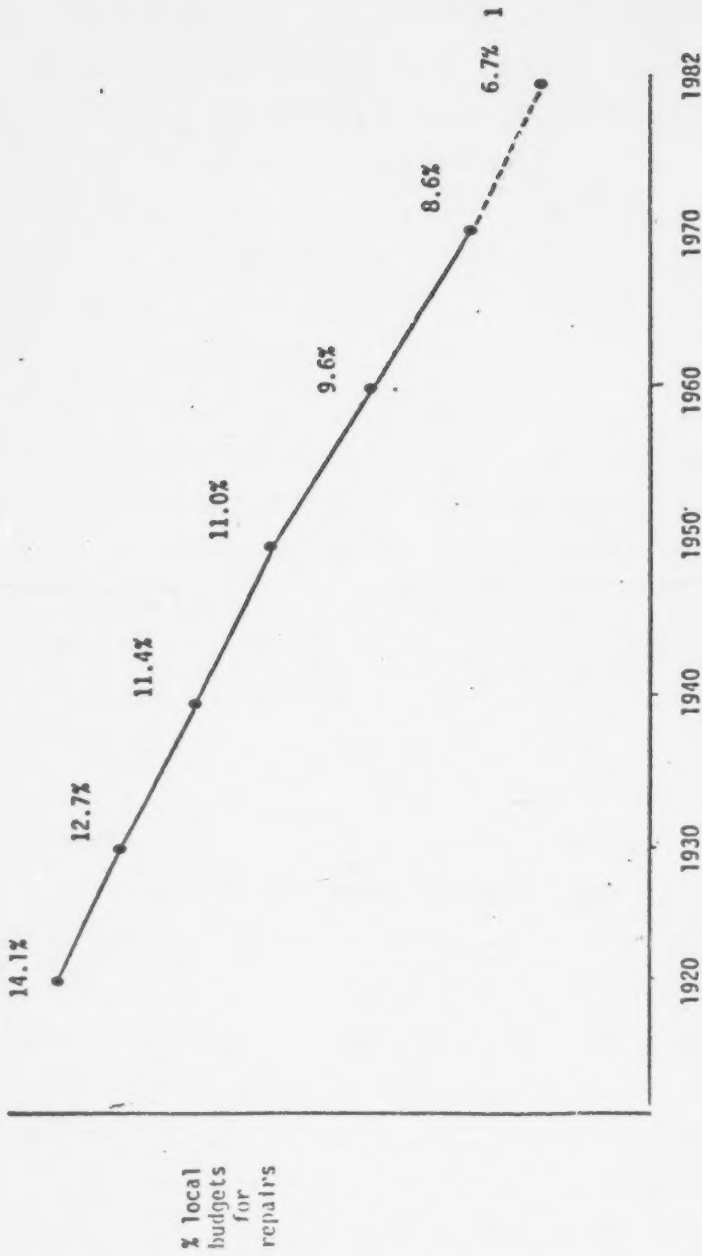
The 100 school systems that were surveyed for this report documented billions of dollars of accumulated deferred maintenance, capital improvements, and compliance with federal and state health and safety requirements. The districts range in size from New York City with an annual budget exceeding \$3.2 billion and over 1000 facilities and Dade County (Miami) with over 2000 buildings to Elizabethtown, Tennessee, with annual expenditures of slightly under \$5.0 million.

On average, the districts in this survey spend approximately 6.7% of their annual budgets on maintenance and capital improvements. This compares with 8.6% in 1970, 9.5% in 1960, and 14.1% in 1920 (see Table 1). To meet all maintenance and capital needs that have been deferred over the years, schools throughout the nation would be required to spend about 220% more on building improvements each year than they do now. The 100 districts in this survey now spend about \$1.2 billion a year on maintenance and capital (excluding operational expenses for custodial salaries) but have accumulated a repair backlog of over \$3.4 billion. (This backlog is based on estimations by the surveyed districts of documented deferred maintenance and capital improvement projects that have been identified and does not include the costs of new building needs, land acquisition, equipment replacement, furniture repair or transportation purchases). If all these identified accumulated maintenance needs are tallied for all 16,000 school districts across the nation, it is estimated that the total cost would be about 25 billion in current dollars.

The actual costs of deferring maintenance and renovation is difficult to compute. Costs not only escalate with inflation but the increased damage due to ignoring repair needs or energy loss increase costs geometrically. A roof that is unrepaired, for example, may allow water to damage other parts of a building and to cause additional energy loss.

The schools participating in this survey identified fourteen major areas in need of immediate repair (see Table 2). The most serious and frequently mentioned involved roof repair and replacement, followed by heating, ventilating and air conditioning repairs and replacement,

Table 1. Proportion of Local School Budgets Devoted to Maintenance 1920-1982



* Source: National Center for Education Statistics. Digest of Education Statistics, 1982.

¹ Estimate based on data in this survey.

interior remodeling and modernization, window replacement and electrical system needs.

The greatest need for repairs and replacements involves roofing, named by 71% of the surveyed districts. Roof upgrading and replacements are normally conducted on a 10-20 year cycle, with roof coating and major repairs needed every 3-5 years, and roof flashing every 5-10 years. Shingled roofs are normally in need of repair on a 12-15 year cycle. Because the greatest number of school building in the nation date to the 1950's and early 1960's, major roof repairs are now past due.

Compounding the problems with the newer buildings is that many were hurriedly constructed to accomodate the "baby boom" and were of modular construction, never intended to last more than 20 years. Virtually all construction in the 1950's and 1960's was marked by efforts to obtain the greatest amount of square footage for the lowest possible cost. The result was building with no long term serviceability in mind, and often with very little in the way of long-term quality. In contrast, the problem with older buildings involves not the quality of the construction, but the new building codes and the accumulated neglect.

One of the most costly repairs of the responding school districts concerns boiler repair and replacement. The age of many boilers is causing some of the problem, as many oil burners were actually converted from coal driven units and have never been replaced. In addition, new EPA clean air regulations have increased. Alterations in boilers to meet regulatory requirements are often incompatible with their original designs. Unfortunately the cost of switching boilers to meet the regulatory requirements and cheaper fuel sources is prohibitive and

Table 2. Repair and Maintenance Priorities for Surveyed Public Elementary and Secondary Schools

<u>Priority</u>	<u>% of Schools in Sample</u>
1. Roof repair and replacement	71%
2. Heating, ventilating, and air conditioning repair and replacement	27%
3. Interior modernization	23%
4. Window replacement	20%
5. Electrical systems	20%
6. Boiler repair and replacement	19%
7. Painting	17%
8. Paving	15%
9. Handicapped access	13%
10. Asbestos removal	11%
11. Insulating	9%
12. Plumbing	6%
13. New buildings	4%
14. Floor repairs	3%

outside of the capabilities of most financially hard-pressed school systems. Ideally, school districts should have the capacity to conserve fuel dollars by converting to two-way and three way boilers.

The third important group of problems of the surveyed districts involves meeting requirements for the handicapped (13%), new fire and safety codes (20%), and asbestos removal (11%). The EPA requires that all schools be assessed for asbestos by June 1, 1983, yet there is no appropriation to help offset costs. Compounding these requirements are

new demands on schools to construct facilities for services that had in the past been provided by other community agencies. The districts included in this survey estimate that the total cost of meeting unmet federal and state health and safety requirements will amount to \$575,966,799.

Other maintenance and repair priorities include:

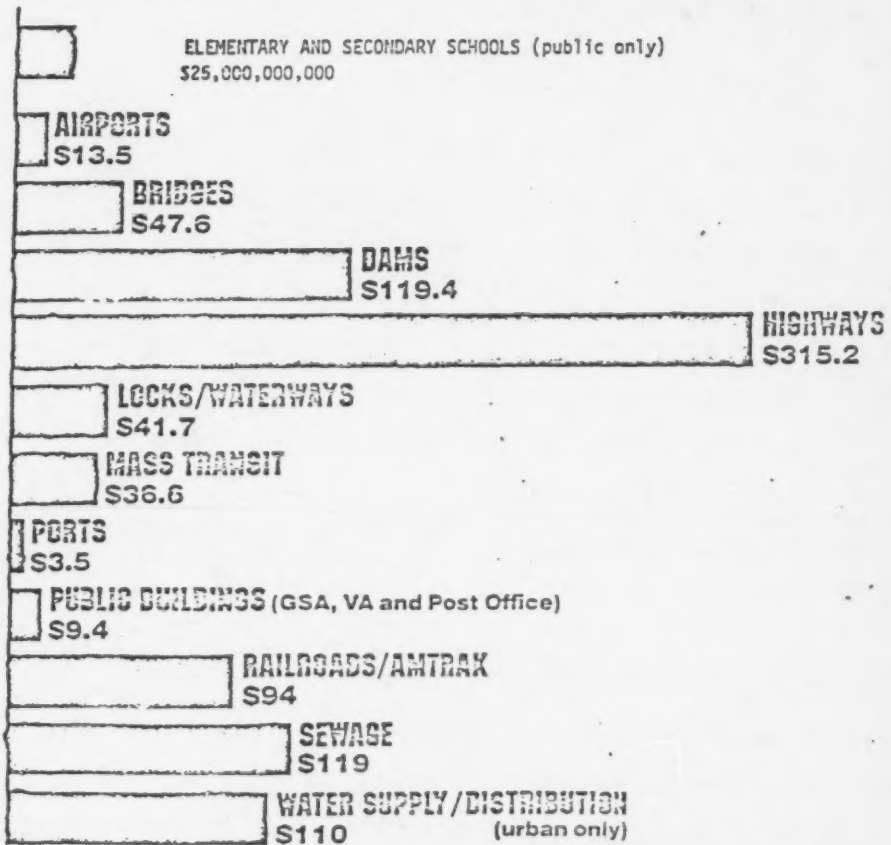
- o Painting which is needed on exterior surfaces every 5-8 years and on interior surfaces every 6-10 years
- o Replacement of floor tiles which is needed about every 20 years
- o The repair and replacement of lighting fixtures. Lighting fixtures are vulnerable to vandalism. Some types of lighting have been suggested as the cause of increases in hyperactivity in some small children.
- o The replacement of windows. This job is one of the most frequent and costliest routine building repairs.

Employment Opportunities in School Renovation

The kinds of work required to meet these priorities involve a wide variety of jobs including roofers, carpenters, furniture repairmen, glazers, boiler repairmen, sheet metal workers, cement finishers, paving equipment operators, and other skilled and unskilled laborers.

Unlike the highway bill, however, school construction and repair needs are highest in the same areas where unemployment is highest, providing an ideal mesh between building needs and employment needs.

Table 3. National Public Construction Needs for Schools and Others *
(in billions)



* Data for all sectors excluding schools from: Associated General Contractors of America. Fractured Framework: Why America Must Rebuild, November, 1982

Summary

In comparison with other public sectors, the construction and repair needs of the nation's schools are of similar magnitude to those for bridges, mass transit systems, and locks/waterways. Table 3 shows the total national accumulated deferred maintenance needs for public elementary and secondary schools in comparison with other public sectors. Construction and repair needs for schools rank among the most serious in the nation.

Almost every school system in the country can point to deferred maintenance needs. For the most part, the needs listed for each school district can be documented on a school-by-school basis and have been sitting on the shelf awaiting funding. Because of the careful logging and the short time needed for the standard school bidding process, work on most of the building needs could begin immediately, or within 60-90 days.

Schools are under constant pressure to improve curriculum and instruction, which is their mission. The safety and operating efficiency of those schools are also essential to good education and to the confidence that the public has in this important institution. The data clearly show that schools throughout the nation, particularly those in the older inner cities, have deferred billions of dollars of repairs. The bill for postponing this maintenance has come due and will only increase with time.

Senator GRASSLEY. I will hold questions until all three of you have testified.

Next is Helen Blank from the Children's Defense Fund.

Ms. BLANK. We appreciate the opportunity to testify this morning. I too will insert our longer remarks into the record.

The Children's Defense Fund is a national public charity created to provide a long range and systematic voice on behalf of the Nation's children. There are a number of points that we think are critical to recognize as you work on the jobs bill.

And I would like to share our experiences with you this morning with countless individuals and families and agencies across the country to give you a sense of why we think that four points are critical.

We believe that a recognition that children and families are at the core of our infrastructure demands that a jobs package include at a minimum, first, funds for emergency assistance, which not only includes money for shelter and food, but also help for families to find permanent housing and other necessary support services.

We have had a fascinating experience through a project called Child Watch, which the Children's Defense Fund launched last January with the Association of Junior Leagues to monitor the impact of Federal budget cuts on our neediest children and families.

Nearly 1,000 volunteers representing the Junior League and 10 other organizations have conducted interviews in over 100 communities. They have been in Iowa; they have been in Indiana; they have been in Massachusetts. They have been in almost 40 States. They have talked to child care providers, hospital administrators, social workers, parents, and others. Almost every single project has documented an increased demand on local organizations providing emergency food and housing assistance, and a growing pressure on the child welfare system.

And we believe that the kinds of things that they have documented have to be recognized in a jobs package that is dealing with the needs of families. A report from Birmingham, Ala., Child Watch coordinator illustrates the problem. St. Andrews Parish had one soup kitchen in 1980-81, and it served 320 children.

They now have 3 soup kitchens that last served 5,000 children.

The case of Mrs. Jones and her three preschool children illustrates why there has to be support for emergency assistance for families and the kind of complicated help that families need to stay above water and to keep in tact. One of the things that we are very concerned about is that the economic pressures that families are facing are causing them to be torn apart.

Mrs. Jones had to apply to an emergency shelter after she lost her unemployment benefits, and her gas and electricity were turned off. She went into a shelter with her children, but her time ran out at the shelter, and she was asked to leave. She could not get a check from public assistance or any help because she had not found a place to live.

She had not found a place to live because there was no child care available at the shelter so that she could go out and search for more permanent housing. Finally, a local child welfare agency helped her by giving her extra emergency shelter money, and then

purchasing daycare so that Mrs. Jones could go out and find a place to live. They also connected her to a community mental health center because by this time she had such severe anxiety that she needed counseling.

Cases like Mrs. Jones have increased due to budget cuts, and an already overburdened emergency care staff cannot give adequate attention to these demands.

Another thing that we are absolutely dismayed about is that child abuse is going up. A survey of 50 States by the National Committee for the Prevention of Child Abuse reports that 39 States have seen an increase in reported cases of abuse; 15 said that they were seeing more deaths due to abuse, and 33 reported seeing more serious abuse.

But simultaneously 32 States said there had been noticeable cut-backs in child abuse programs. Protective services cases are increasing all over the country. In many cases, as I have mentioned, families are forced to the point of giving up their children because they do not have extra money for gas and food.

Kentucky is typical of many States. It has reduced its human services field staff by over 20 percent for fiscal year 1982. It has had to cut travel so staff cannot monitor the quality of care that children receive and cannot assist parents.

Since December, Louisville and Lexington can no longer provide child care to working parents because the demand for protective services child care is so great. That is why we believe that emergency assistance funding belongs in a jobs bill. We cannot neglect this important part of families' needs.

Another area that we are very concerned about is child care. I follow this closely as director of child care for the Children's Defense Fund. We believe that there must be additional money in this area and recommend at least \$200 million to be added to the title XX social services bloc grant in order to allow women to participate in any jobs or training that come forth from a jobs bill.

We also support allowing a general fund, such as community development block grants, to fund child care jobs. The need for child care is already enormous. Forty-six percent of all preschoolers have working mothers, or 8.5 million children. We know that women are working because they have to. Two-thirds of women who now work are either sole providers or have husbands who earn less than \$15,000. We are very concerned about single parents. One in six American families is headed by a woman, and one-third of these families live below the poverty line.

The unemployment rate for single parent mothers with children under 6 is 18.9 percent. Studies have shown that the lack of child care not only keeps women from jobs; it keeps them from training, and it keeps them from participating in Federal education programs.

We cannot have these women turn to Federal child care programs. We have never had a Federal child care program. We have had a patchwork of programs. They were all cut drastically in 1981; the child care food program was cut by one-third; the title XX, social services block grant, which is the largest source of direct support to child care, was cut by over 20 percent.

What we are seeing makes us extremely distraught, not only in terms of the ability of women to work, but what is happening to children. What many States have done in response to child care cutbacks is to limit child care for mothers who are working. In New York, 12 districts this year stopped providing child care to lower income working families. Many States have cut out child care for mothers in training. Kansas simply does not offer child care to a mother in training. What is she to do? It is interesting that Governor du Pont this morning was so concerned about the ability of women to participate in jobs programs; I had to stop and remind him that his State has cut title XX child care funding by 50 percent.

What has happened to the ability of women to get the skills that they need to work and to move out of poverty? A Wilmington, Del., center director that I spoke to and that the child watch project in Wilmington interviewed served high school mothers and had 56 children enrolled in 1981. These mothers were trying to get a high school diploma so they could move ahead.

Now, only 21 children are left. Many of the young mothers have dropped out of high school. Other mothers have dropped out of training programs where they were learning accounting and computer skills and are back at minimum wage jobs because Delaware cut its child care training support to only 1 year.

We are very concerned about where children are because of lack of child care. And we urge you to include funding for child care because the money is simply not out there. In 1981, 739 West Virginia families lost child care. The State had to stiffen its eligibility criteria. Many working families automatically lost their care. The State conducted a survey and had 565 families respond. They found that 391 children had to leave their care giver, switching child care arrangements. These are preschoolers who are used to seeing and trusting someone to care for them every day. These children had to leave. Seventy-nine are being care for by themselves; being cared for by themselves is something we hear time and time again. A Rhode Island child care center located in a public housing project had 22 children last year. Five children remain. Where are the others? The director reports that some of the children are being cared for by teenage high school dropouts. Others she watches hang out at the nearby playground. We are afraid that the playground is becoming a child care center in far too many communities.

In Pittsburgh, 200 children lost child care last year, 10 percent of the total number being served by title XX. Pittsburgh child care providers also did a survey to determine the effects of the cutbacks. We are hearing the same story. Some parents quit work, but others make do—one mother said she was forced to leave her child in the care of an unlicensed babysitter that she did not trust as much. Another mother sent her children to their grandparents. We hear that in many communities.

We also hear from Pittsburgh that many older children are staying home from school to care for preschool brothers and sisters. Parents want to work; they are not quitting work, but they are desperate, and children are suffering. If we want to see women participate in a jobs program and have a brighter future for themselves

and their children, we have to have money for child care. It simply is not there. And they will not get their share of the jobs. If they do, the price they will pay is the well being of their children. We have two more points, and I will be quick.

We agree with Mr. Husk that jobs should be also targeted to public schools, child care centers, and to hospitals and clinics. And we support his recommendation for jobs related to the schools.

We also finally urge you that you look to including a health component in the jobs package. One way to do it would be to add \$80 million to the maternal and child health block grant.

You all are familiar with the CBO figure of 10.7 million people, including children and spouses who no longer have health insurance. And we are also too familiar with the numbers of pregnant women who are coming to hospitals to deliver who have had no prenatal care. Over 27 States do not provide health insurance to unemployed families unless the father leaves the home.

Pregnant women and children are suffering needlessly because of lack of health care, and we hope you take that into consideration, too.

Thank you.

[The prepared statement of Ms. Blank follows:]

TESTIMONY
ON AN EMERGENCY JOBS BILL
SUBMITTED TO THE SUBCOMMITTEE ON
EMPLOYMENT AND PRODUCTIVITY OF THE SENATE
LABOR AND HUMAN RESOURCES COMMITTEE
U.S. SENATE

• Mr. Chairman, members of the Subcommittee, the Children's Defense Fund is a national public charity created to provide a long-range and systematic voice on behalf of the nation's children. CDF is organized into four program areas: education, child health, child welfare, and child care and family support services. We address these issues through research, public education, monitoring of federal and state administrative and legislative policies and practices, network building, technical assistance to national, state, and local groups, litigation, community organizing, and formation of specific issue coalitions.

We welcome the efforts not only of Senators Quayle, Kennedy, and Hatfield but of all the members of Congress who are working to develop legislation to address the joblessness that plagues our country. CDF has witnessed the devastating effects of both unemployment and severely reduced funding for critical federal support systems on our nation's children and families. We understand the urgent need for this legislation and the necessity to move quickly and decisively. As Congress acts, we urge you to consider the rapidly shrinking resources for preventive programs that assure our children a chance to develop, learn, and thrive. A recognition that children and families are at the core of our infrastructure demands that a jobs package include at a minimum:

- Funds for emergency assistance which includes shelter and food, help for families to find permanent housing, and assistance in obtaining necessary social services.

- Employment opportunities that include positions in child care centers, hospitals, clinics, and public schools.
- Funds for child care to help ensure that women, especially single heads of households, have the opportunity to take jobs and participate in training.
- A health component to meet the health emergency experienced by millions of uninsured families in this country.

We believe an emergency jobs bill with additional support services for families in crisis is essential now and should be enacted immediately. Our work with the nation's families also demonstrates a need for a more extensive recovery and support program. We hope the Congress is committed to this emergency jobs bills as a beginning not an end.

The full range of programs necessary to establish a minimum floor of decency for the nation's children is set forth in the Children's Survival Bill, to be introduced shortly by Senator Dodd and Representative Ferraro. We hope the Congress will move very soon to enact a more comprehensive employment and training bill and consider relevant provisions of the Children's Survival Bill as it does so.

1. A jobs bill must include funds targeted to emergency assistance which includes shelter and food, help for families to find permanent housing, and assistance in obtaining necessary support services. On the basis of CDF's monitoring of the harm done to children by federal budget cutbacks and the state of the economy, we believe it is critical that a jobs package include funds targeted to emergency services to help alleviate the pressures on beleaguered families and on the agencies that are striving to help them.

Last January, the Children's Defense Fund in collaboration with the Association of Junior Leagues launched Child Watch to monitor the impact of federal budget cuts on our neediest children and families. Nearly 1,000 volunteers, representing the Junior League and ten other national organizations have conducted interviews in over 100 communities. They have talked to child care providers, hospital administrators, social workers, parents, and others. Almost all of the projects have documented an enormous increased demand on local organizations providing emergency food and housing assistance and a growing pressure on the child welfare system.

A report from Birmingham Alabama's Child Watch Coordinator illustrates the problem. St. Andrews Parish had one soup kitchen in 1980-81 which served 320 children. In 1983, they are projecting serving 5,000 children at 3 locations.

Countless children and families are going homeless, cold and hungry, forced to choose among food, health care, heat, and shelter. The Community for Creative Nonviolence in its report Homelessness in America: A Forced March to Nowhere, estimates "the number of homeless people could reach 3 million or more during 1983". The following example is all too familiar:

- A mother and three children, the youngest of whom is seven, have been staying in a city shelter opened to serve families when two others overflow. It requires a family to pay part of its monthly check for rent before the city will pick up the rest of the bill. No meals are provided, so the family has to walk about two miles one way to another family shelter twice a day in order to eat, or spend \$4.80 round trip each time on the bus. The mother needed coats and other warm clothes for the children and chose clothes rather than bus fare. Some weekends, because they are too tired to walk the distance in the cold, they have had

no food at all. There are no cooking or refrigeration facilities in the hotel and the family is limited to receiving food at only one site. In addition, every day at noon they have to leave their room at the hotel with all of their belongings until the hotel can determine if they are still eligible for shelter. Sometimes this is not verified until evening and the family has to stay out in the cold all day.

Financial pressures on families are contributing to increased reports of child abuse and neglect and more requests for foster care. A survey of child abuse specialists in all 50 states and the District of Columbia, conducted in the fall of 1982 by The National Committee for Prevention of Child Abuse, reported that 39 states had seen an increase in reported cases of abuse in the past year. Fifteen states said they were seeing more deaths due to abuse, and 33 states reported seeing more serious abuse. Despite these figures, 32 states said there had also been noticeable cutbacks in child abuse programs.

- In Philadelphia, general protective service reports of children needing protective services in October 1982 were double those of a year earlier. Fifty percent of the 136 new reports in October were directly attributable to economic factors--families with no heat, food, or place to live. In some cases, the agency has used a state-financed Children's Fund to pay a gas bill or a security deposit and one month's rent--a more cost-effective alternative than the \$32 to \$55 a week it costs to place a child in foster care for a minimum of two to three months. However, the agency has not been able to do this for every family. In November emergency placements were requested for 139 children. Staff averted a number of these placements by helping families to get gas and electricity turned back on and to receive special food supplements. Even so, the 40 children placed in foster care during a relatively warm November was twice the number placed during November 1981.

The case of Mrs. Jones and her three pre-school children is typical of those seeking help across the country:

- Mrs. Jones first applied to an emergency shelter after her unemployment benefits ran out, her gas and electricity were shut off, and she and her children were evicted from their home. For a while, the family stayed in the shelter. But when they had used up the time period they were allowed to stay there, they were asked to leave.

Mrs. Jones was desperate and distraught. The department of public assistance would not give the family an emergency check to make ends meet because they had no place to live. Yet no one at the shelter could care for Mrs. Jones's three children while she looked for housing.

When Mrs. Jones finally came to the attention of a local child welfare agency, sensitive workers there arranged to pay the emergency shelter extra money so the family could stay longer. Meanwhile, the agency purchased day care for Mrs. Jones's children so that she could search for a place to live. And they helped her work out her problems with the department of public assistance.

One of the workers also accompanied Mrs. Jones to a local community mental health center to assist her in getting help for her extreme anxiety. However, Mrs. Jones's case was only one of 40 this worker handled. The demands of cases like Mrs. Jones's have increased due to budget cuts. Already overloaded emergency care staff are struggling to give adequate attention to the families that need help.

In many states, increased demands for care have been accompanied by reductions in staff and services, thereby jeopardizing the quality of care available to abused, homeless, neglected, and disturbed children. Despite valiant efforts, few states have been able to fill the gap left by federal cutbacks.

- California lost \$58.1 million in Title XX funds for the period October 1981 through June 1982. The state managed to maintain child protective services required by state law and out-of-home care only by transferring funds from the Child Welfare Services Program and the Low-Income Home Energy Assistance Block Grant and eliminating training. In spite of such efforts, cutbacks resulted in a 19 percent reduction in budgeted social work positions in 1981-1982, and a corresponding increase in caseload size. Not surprisingly, the state has moved away from providing preventive and supportive services and is focusing attention primarily on crisis intervention.
- Kentucky reduced its human services field staff by over 20 percent for Fiscal Year 1982, severely restricting the services available to children in care. A 25 percent cut in travel also limited the staff's ability to monitor the quality of care children receive and to assist parents in visiting their children. Since December all Title XX child care services in Louisville and Lexington have been targeted on protective services cases and closed for children of working parents.

Even states that have tried to cushion the impact of federal cuts are facing grave difficulties. Title XX cuts in some states have exceeded 21 percent, because the federal government no longer requires that states contribute \$1 for every \$3 in federal funds and maintain key protective services for children. Over 25 states tried to absorb Title XX cuts in the first year by transferring funds to the Social Services Block Grant from the Low-Income Home Energy Assistance Block Grant. Others used funds freed up by changes in AFDC to bolster social services. Still others imposed or raised fees for services or limited those who could participate in the program. Several states, including California, Florida, and New Jersey, used funds that were available under the Title IV B Child Welfare Services Program (to prevent placements and develop alternatives to foster care) to offset federal Title XX cuts and meet the demand for increased state funds.

But states will not be able to maintain indefinitely these stop-gap measures to minimize what in many states is almost a one-fourth federal funding cut. Numerous state officials warn that additional cuts in federal dollars will make it impossible to meet the increasing demand for services.

2. Employment opportunities must include positions in child care centers, hospitals, clinics, and public schools in addition to jobs for repairing the nation's infrastructure. In addition to ensuring that the employment needs of women are addressed, additional jobs in these areas provide critical assistance to child care centers, hospitals, and public schools at a time when budget cuts are

forcing them to lay off workers and deny absolutely critical services to children and low-income people. When public services jobs were eliminated under CETA, disadvantaged children nationally lost, not only Head Start aides, child care workers and health clinic staff, but also Title I teaching aides. Special education aides were dropped and security patrolmen in the urban schools were fired. These teacher aides made a critical difference in the lives of some of the most vulnerable children. The jobs also provided the opportunity for disadvantaged women who might not be suited for construction jobs to find meaningful work. We urge that this Subcommittee reinstate public services jobs in all these critical areas.

We ask that the Subcommittee give a high priority to the nation's public elementary and secondary schools when considering any new jobs legislation. It is estimated that the accumulated deferred maintenance for elementary and secondary school buildings runs as high as \$25 billion.* And, for the schools to clean-up hazardous asbestos and remove architectural barriers for handicapped children, some \$4.5 billion is needed. While it is true that some money from Community Development Block Grants might be used to help the schools with their maintenance needs, the greatest incidences of asbestos problems and architectural

* See Maintenance Gaps, Deferred Repairs and Renovation in the Nation's Elementary and Secondary Schools American Association of School Administrators, Council of the Great City Schools, and National School Boards Association (Washington, D.C.: January 1983).

barriers for the handicapped exist in urban school districts, in areas of high unemployment. Community Development Block Grants have not, in the past, been targeted on these urban areas. We would recommend therefore that in addition to raising the priority of schools as subgrantees under the CDBG, the Appropriations Committee fund P.L. 96-270, the Asbestos School Hazard Detection and Control Act of 1980, and Sec. 607 of P.L. 94-142, (the Architectural Barriers Act as amended by the Education for All Handicapped Child Act) at some \$75 and \$425 million respectively.

3. We also believe that it is absolutely essential to increase funding for child care by adding at least \$200 million to the Title XX Social Services Block Grant.

We ask you to pay particular attention to child care given that the availability of child care is a key factor in a woman's ability to even take advantage of training or employment opportunities. These Title XX funds should be in addition to allowing child care jobs to be funded through a general jobs fund such as Community Development Block Grants.

Adequate child care is already a pressing need for many American families. The supply of child care lags so far behind the need that as many as 6 to 7 million children 13 years old and under, including many pre-schoolers may go without care for significant parts of each day while their parents work. 46 percent of all pre-school children now (8.5 million) have mothers in the labor force.

Women are working because of economic necessity. Two-thirds of the women in the work force are either sole providers or have husbands who earn less than \$15,000. Almost one in six American families is headed by a woman and one-third of these families lives below the poverty line. Single parents must have access to child care to seek employment. They already face a grim employment picture. The unemployment rate for single mothers with children under age six is 18.9 percent.

Lack of affordable child care is a major factor in keeping women and children in poverty. The U.S. Commission on Civil Rights notes that the inability to access child care not only restricts women's employment and training opportunities but also their ability to participate in federally supported education programs. A number of studies have shown that approximately one of every five or six women is unemployed because she is unable to make satisfactory child care arrangements.

The United States has always had a patchwork child care system. Since 1981, it has been rapidly unraveling. The largest source of direct support for child care, the Title XX Social Services Block Grant paid for care for 750,000 low-income children in Fiscal Year 1980. In addition to having its funding severely reduced in Fiscal Year 1982, a targeted \$200 million for child care and a separate training program were eliminated. The Child Care Food Program which helps defray the costs of meals provided to children in child care centers or family day care homes was cut by 30 percent or nearly \$130 million in Fiscal Year 1982. The amount of child care costs that families can be compensated for under the Aid to Families With Dependent Child (AFDC)

program was also limited. Finally, many child care programs lost critical staff when the Public Services Employment component of CETA was eliminated. Head Start alone lost 6,000 workers.

Many states, as a result of funding cutbacks, have severely diminished child care support for mothers enrolled in training programs or stiffened eligibility criteria so that subsidized child care is no longer available or too costly for lower income working families. When CDF surveyed 36 states with regard to their Title XX child care policies, we found that in the last two years seventeen states had restricted child care for mothers enrolled in training programs. Some no longer provide any child care assistance to these mothers.

- To cut costs, Delaware passed a requirement that no school-age children can receive subsidized child care. Nor can mothers who attend college or post-high school training programs that last more than one year. In addition, all working families must pay at least \$10 a week for services that some poor families used to receive free. The new guidelines have forced nearly 1,000 parents to withdraw their children from centers; these are often single mothers earning small income or trying to complete their education. Many can no longer qualify for day care or afford the new state fee for service--as much as \$30.50 a week for two-parent families earning a gross weekly wage of \$180.25. In Sussex County, Delaware, 6 of 13 sites serving low-income mothers have closed. One site in New Castle County has also shut down.
- In 1980-81, 45 districts in New York State provided child care subsidies for low-income working parents ineligible for AFDC. Now only 33 districts offer such assistance, and five have lowered their eligibility criteria.

The results of federal, state and local cutbacks in child care for women who are struggling to improve their family's situation through employment or training are extremely painful:

- One Delaware woman was forced to drop out of school, where she was studying accounting and computers, in order to regain eligibility for child care. Now she's attaching yokes to men's shirts in a sewing factory, earning little more than the minimum wage. She stated, "I just had higher hopes for myself and my kids."
- A Wilmington, Delaware center serving high school mothers had 56 children enrolled in the program in 1980-81, and only 21 in the late fall of 1982. Many of the young mothers have dropped out of high school.
- The Johnson County, Kansas, Day Care Association sent a questionnaire to the county's day care providers after many children lost Title XX child care subsidies. They found that 17 percent of the parents had quit work, 10 percent of the children had been taken to unlicensed day care arrangements, and 7 percent of the children were not receiving any care while their parents worked.

Children are being left alone or have been switched to less familiar, and often less supportive, child care arrangements.

- In 1981, 739 West Virginia families lost child care. Some 565 of these families responded to a questionnaire regarding their current child care arrangements. A total of 391 children had experienced some type of change in child care arrangements. At least 79 children were caring for themselves.
- A Rhode Island child care center, located in a public housing project, had 22 children enrolled last year. Five children remain. The director reports that some children are being cared for by teenaged high school dropouts; others she watches hanging out on the nearby playground.
- In Pittsburgh, a combination of Pennsylvania policies--including tighter eligibility criteria and fees for services--resulted in over 200 children losing child care services, 10 percent of the total number being served. Some parents quit work. One parent commented, "I'm forced to leave my child in the care of an unlicensed babysitter whom I don't trust as much as the licensed day care provider." Another mother says, "My children are no longer with me because I couldn't find day care. The children are with their grandparents." Many older children have been forced to stay home from school to care for preschool brothers and sisters.

- A report by the Citizens Committee for Children of New York revealed that in New York City, center teachers and directors are seeing newly ineligible and financially strapped parents resorting to sub-standard, unlicensed, and unsupervised day care. These directors report that no quality alternatives to public day care exist for these families. "Day care available" signs have been seen in store fronts all over the Bushwick section of Brooklyn. Directors report that children are being crowded into unsuitable, unlicensed facilities that are both unsafe and illegal. Such arrangements are increasing.

Recognizing the severe shortage of child care slots and the high cost of adequate child care, we are concerned that the provision in S.242 which would disqualify any recipient from receiving federal unemployment benefits who refuses to participate in suitable training available to the recipient without cost to which he is referred by the state agency. Women should not be subject to such a penalty if they cannot locate nor afford child care.

4. We believe it essential that additional funds for the Maternal and Child Health Block Grant be included in your package at a minimal level of \$80 million. The MCH Block Grant is the only public health program targeted on mothers and children and funds for this cost-effective service would go primarily to low paying services jobs - aides, visiting nurses, nutritionists, outreach workers, among others. A health component is necessary to meet the health emergency experienced by millions of uninsured families in this country.

- According to CBO 10.7 million people, including children and spouses, lacked health insurance coverage at the end of 1982 because of joblessness.
- Experts estimate that in 1983, 13 million children will be living in families experiencing joblessness.
- 4.2 million poor children (34% of poor children) have no health insurance. Another 5.1 million (41% of poor children) are insured for only part of each year. Unlike the elderly who have Medicare, there is no guaranteed source of health insurance for the majority of American children.
- In 27 states Medicaid does not cover impoverished unemployed two-parent families and their children.
- A young woman in Alabama, pregnant for the first time, had been getting prenatal care from a private doctor and had made arrangements to have her baby delivered at the local hospital. Her care was covered by the health insurance her husband got as a benefit for his work as a steelworker. About half way through her pregnancy, however, he was laid off and lost his health insurance benefits. Though they were not indigent, because both she and her husband lived at home, under Alabama's Medicaid programs, she could not qualify for Medicaid to pay for the rest of her prenatal care and delivery costs. Her doctor told her not to come back since she had no way to pay the bills. She went six weeks without prenatal care. She didn't know where to go or whom to ask for help since she'd never used the public health and welfare system before. Finally, in desperation, she approached a television station. The station broadcast her story but no one stepped forward to help her. Then her husband left home. Because she was now a single low-income prospective parent, Alabama's Medicaid program could cover her. She went back to getting prenatal care.
- In 34 states Medicaid does not cover children who are in two-parent uninsured families.

Particularly hard hit by lack of access to health care are pregnant women (who cannot get prenatal care and are appearing in emergency rooms to deliver and being asked to pay large pre-admission deposits which they cannot afford) and children. CDF's health survey shows that every state has cut its Medicaid program and 47 states have cut their Maternal and Child Health Block Grant Services. Many clinics and community health centers

that have been forced to close are located in areas of high unemployment. State administrators and clinic personnel are telling us that waiting lists for reduced cost care provided by state and local health MCH clinics are way up.

- Arkansas, like many states, is suffering from exceedingly high levels of unemployment (9.6 percent in October 1982), which have placed new strains on the already overburdened public health system. Because of decreased revenues resulting from unemployment, the state has been unable to respond to the heightened need for health care. An estimated 33,000 persons, 70 percent of them children, lost AFDC and Medicaid as a result of federal 1981 budget cuts. The state was also forced to impose new limits on inpatient hospital and prescription drug services under Medicaid. At the same time, Arkansas's Maternal and Child Health agency was forced to cut funding for its children and youth projects by two-thirds, affecting 10,000 poor and near-poor children. This happened even as the number of insured children grew due to federal budget cuts. Moreover, because of the increased demand for services and inadequate funding, there is now a four-to six-month waiting list at public maternity clinics for the first appointment. A pregnant woman is unlikely to be seen until she is in her sixth to ninth month of pregnancy.

We urge that Congress as it responds to the pressing need to help the millions that are unemployed does not overlook the equally urgent need to provide support services to their families and children. We ask you to also take this opportunity to create jobs that can bolster services in child care programs, public schools, hospitals, and health centers. We have made it all too clear why we believe that a separate health component is essential. Finally, we urge you to include targeted support for child care recognizing that it is a key factor in enabling women especially single heads of households to participate in a Jobs Initiative.

Senator GRASSLEY. Thank you, Ms. Blank.

Karl Pnazek, executive director of the Energy Conservation Coalition, is that correct?

Mr. PNAZEK. That is correct.

Senator GRASSLEY. Would you proceed with your testimony, please.

Mr. PNAZEK. I would also like to summarize my comments and submit the entire text for the record.

Senator GRASSLEY. That will be done.

Mr. PNAZEK. My name is Karl Pnazek. I am the current executive director of the Energy Conservation Coalition, a broad-based citizen interest group organized to insure energy conservation, plays a large part in meeting this Nation's future energy needs.

Previous to this, however, I was employed as the executive director of CAP Services, a private nonprofit community action agency in Stevens Point, Wis. and it is in that capacity I am testifying today.

CAP Services provides a wide range of services to a primarily rural five county area of central Wisconsin. Included in these activities are the operation of a low-income home weatherization program and a national pilot project involving youth employment and energy conservation. In addition, I served 2 years on the Wisconsin legislative council committee on energy conservation, have been chairman of the Wisconsin CAP housing and energy committee for 6 years.

I am here today to speak on the advantages of including a substantial energy conservation component into any proposed jobs program. Some of my comments will echo those heard earlier today by the speaker from Indiana; nevertheless, some of them also need to be reiterated.

Specifically, I would urge the committee to support increasing the funding levels for the low-income weatherization program and the solar and energy conservation bank. I am pleased to see the level of commitment to those programs in Senate bill 493, the Emergency Jobs Training and Family Assistance Act of 1983 sponsored by Senator Kennedy. This legislation would begin to address both the need for jobs and the massive unmet need to weatherize America's housing stock. The advantages of this type of energy conservation program are multiple.

They include the following: One, for every dollar spent on weatherization, more jobs are generated, both in the short and long term, than on alternate activities.

Two, weatherization has one of the shortest lead times between money becoming available and people actually going to work.

Three, weatherization jobs are open to almost all segments of society because they do not require previous training or high skill levels.

Four, weatherization has a multiple social utility in that it not only creates jobs, but it decreases energy consumption by those in our society least able to pay for it, the poor and the elderly; it improves the quality of life for recipients by freeing up funds for consumer spending that previously were used to pay for energy and increases the quality of what was often substandard housing.

I would like to expand on each of those four points. With regard to job creation, weatherization does create a substantial number of jobs. In the short term, every \$1 million spent on weatherization creates 50 direct and indirect jobs.

In the 20 years that follow, however, the initial \$1 million investment creates an additional 200 jobs. This is because weatherization results in lower energy costs which in turn frees money that would normally be spent on energy for other consumer spending.

This money also creates jobs because it is spent for goods which recycle it back into the economy rather than for oil or gas from another country. According to an analysis done by the staff of the Energy Conservation Coalition, spending of this conservation dividend results in almost four times as many total jobs being created than if spent on other activities. If the goal of this legislation is to create jobs, energy conservation is a cost effective strategy that will provide both short and long term benefits.

With regards to the issue of lead time, one of the prime criticisms used against jobs bills in the past is the amount of time that elapses between money being made available and people being hired. Weatherization would have one of the shortest lead times of any activity currently under consideration. There are several reasons for this. First, the contract process for distributing the money is already in place. The Department of Energy's contracts for 1983 low-income home weatherization funds are even now being negotiated and signed. A supplemental appropriation would only require an increase in the amount of those awards. A similar situation exists with the solar and energy conservation bank program administered by the Department of Housing and Urban Development.

A second reason is that when funds are received on a local level, local program operators need only advertise to fill the available slots. No environmental impact statement is needed, material vendors are desperate for additional business, and the unmet need is currently 15 to 20 times the current existing capacity to deliver.

The program has already demonstrated the ability to operate at higher levels. In the CAP Services case, the program is only operating at two-thirds the capacity it had 18 months ago. Nationwide, the program today is only operating at a level equivalent to 275,000 houses a year weatherized.

This is substantially less than the 400,000 house a year level reached in 1980. In fact, the only reason the 275,000 house level is being maintained is that individual States have been forced to use flexibility provided under the low-income energy assistance block grant to transfer funds to low income weatherization to maintain their programs at even this reduced level.

The third point I would like to stress is that energy conservation jobs are open to all segments of society. Most weatherization jobs require relatively low skill levels, and as a result, are open to all segments of society. Numerous studies and pilot projects have been done over the past 7 years proving the advantages of energy conservation as a strategy for attacking structural unemployment. It seems even better suited to addressing the needs of the cyclically unemployed.

Weatherization does include certain management and quality control jobs which do require a certain level of experience and so-

phistication. But these skills can easily be found among laid off carpenters and middle-management people. My experience with the newly hired worker in this field is that most require only a 1 week initial training period to begin work and are meeting or exceeding normal production and quality control standards within 90 days.

The multiple social utility of weatherization has been talked about by several of the speakers. And it is one of the few activities proposed which have multiple benefits. Not only does it create jobs, it also decreases energy consumption by people least able to pay for it, the poor and the elderly. With 25 percent of the poverty population currently paying over 40 percent of its monthly income for heating costs in the winter and with the average fuel bill almost 30 percent of a poor household's average monthly income, this segment of the community needs more adequate protection against rising home heating costs. And while energy conservation does not offset all the costs of rising consumption, when offered in conjunction with cash assistance for fuel purchases, it can at least negate a substantial amount of the hardship inflicted by deregulation. By decreasing energy costs, consumer dollars for other necessities are also freed. This allows for healthier diet, adequate medicine and medical care when needed, all of which are normally sacrificed to pay for home heating costs.

Finally, improving the energy efficiency of a house usually means improving the quality of life possible in that house. Rooms which have been rendered unusable due to high fuel costs can now be used. Broken windows which could not be used are now made openable. Roof leaks are often repaired to preserve the quality of the insulation installed. Improvements necessary for weatherization often lead to a better quality of life.

Weatherization is an activity which the Federal Government has a longstanding commitment to undertake. With the job creation opportunities it offers, energy conservation should be strongly considered within the context of any jobs bill. I would encourage the committee to consider its inclusion into any bill you might ultimately recommend.

Thank you for the opportunity to testify. The Conservation Coalition would be happy to work with the committee in any respect to further this endeavor.

I ask permission to have my prepared statement inserted in the record.

[The prepared statement of Mr. Pnazek follows:]

TESTIMONY TO THE SENATE EMPLOYMENT
AND PRODUCTIVITY SUBCOMMITTEE

Karl S Phazek

Good Morning. My name is Karl S Phazek and I am currently the Executive Director of the Energy Conservation Coalition, a broad-based citizen interest group organized to ensure energy conservation plays a large part in meeting this nation's future energy needs.

Previous to this, I was employed as the Executive Director of CAP Services, Inc., a private non-profit Community Action Agency in Stevens Point, Wisconsin, and it is in that capacity I am testifying today. CAP Services provides a wide range of services to a primarily rural five county area of central Wisconsin. Included in these activities were the operation of a Low Income Home Weatherization Program, and a national pilot project involving youth employment and energy conservation.

In addition, I served on the Wisconsin Legislative Council Committee on Energy Conservation and was Chairman of the Wisconsin CAP Association Housing and Energy Committee for six years.

I am here today to speak on the advantages of including a substantial energy conservation component into any proposed jobs program. Specifically, I urge the Committee to support increasing the funding levels for the Low Income Weatherization Program and the Solar and Energy Conservation Bank.

I am pleased to see the level of commitment to these programs in Senate Bill 493, "The Emergency Jobs, Training and Family Assistance Act of 1983" sponsored by Senator Kennedy. This legislation would begin to address both the needs for jobs and the massive unmet need to weatherize America's housing stock.

The advantages of this type of program are multiple. They include:

1. Every dollar spent on weatherization generates more jobs, both in the short and long terms, than alternative activities.
2. Weatherization has one of the shortest "lead times" between money becoming available and people going to work.

3. Weatherization jobs are open to almost all segments of society because they do not require previous training or high skill levels.
4. Weatherization has a multiple social utility in that it:
 - a. Creates jobs;
 - b. Decreases energy consumption by those in our society least able to pay for it, the poor and elderly;
 - c. Improves the quality of life for recipients by freeing funds for consumer spending that previously were used to pay for energy; and
 - d. Increases the quality of what is often substandard housing.

A. Job Creation

Weatherization creates a substantial number of jobs, both in the short and long term. In the short term, every one million dollars spent on weatherization creates 50 direct and indirect jobs. In the twenty years that follow, however, this initial investment creates an additional 200 jobs! This is because weatherization results in lower energy costs which in turn "frees" money that normally would be spent on energy for other consumer spending. This money also creates jobs because it is spent for goods which recycle it back into the economy rather than for oil or gas from another country.

According to an analysis done by the Energy Conservation Coalition, spending of this "conservation dividend" results in almost four times as many total jobs being created than if spent on other activities. If the goal of this legislation is to create jobs, energy conservation is a cost effective strategy that will provide both short and long term benefits.

B. Lead Time

One of the prime criticisms used against jobs bills is the amount of time that elapses between money being made available and people being hired. Weatherization would have one of the shortest "lead times" of any activity currently under consideration. There are several reasons for this.

First, the contract process for distributing the money is already in place. The Department of Energy's contract for 1983 Low Income Weatherization funds are even now being negotiated and signed. A supplemental appropriation

would only require an increase in the amount of these awards. A similar situation exists with the Solar and Conservation Bank Program administered by the Department of Housing and Urban Development.

A second reason is that when funds are received on the local level, local program operators need only advertise and fill the available slots. No environmental impact statement is needed, material vendors are desperate for additional business, and the unmet need is currently 15 to 20 times the now existing capacity to deliver.

The program has already demonstrated the ability to operate at a higher level. In CAP Services' case, the program is operating at two-thirds the capacity it had eighteen months ago. Nation-wide, the program today is only operating at a level equivalent to 275,000 houses a year. This is substantially less than the 400,000 houses a year level it reached in 1980. In fact, the only reason the 275,000 level is being maintained is that individual state's have been forced to use the flexibility provided under the Low Income Energy Assistance Block Grant to transfer funds to Low Income Weatherization to maintain their programs at even this reduced level!

C. Open to all Segments of Society

Most weatherization jobs require relatively low skill levels, and as a result, are open to all segments of society. Numerous studies and pilot projects have been done over the past seven years proving the advantages of energy conservation as a strategy for attacking structural unemployment. It seems even more of a "natural" for addressing the needs of the cyclically unemployed.

Weatherization does have certain management and quality control jobs

which require a certain level of experience and sophistication. But these skills can easily be found among laid-off carpenters and middle management people.

My experience with the newly hired worker in this field is that most required only a one week training period to begin work, and were meeting or exceeding normal production and quality control standards within 90 days.

D. Multiple Social Utility

Weatherization is one of the few activities proposed which have multiple social benefits. Not only does it create jobs, it also decreases the energy consumption of people least able to pay for it, the poor and the elderly. With 25% of the poverty population paying over 40% of its monthly income for heating costs in the winter, and with the average winter fuel bill almost 30% of a poor households average monthly income, this segment of the community needs more adequate protection against rising home heating costs.

And while energy conservation does not offset all the costs of rising consumption, when offered in conjunction with cash assistance for fuel purchases, it can at least negate a substantial amount of the hardship inflicted by deregulation.

By decreasing energy costs, consumer dollars for other necessities are also "freed". This allows for a healthier diet, adequate medicine, and medical care when needed, all of which are normally sacrificed to pay home heating costs.

Finally, improving the energy efficiency of a house usually means improving the quality of life possible in the house. Rooms which had been rendered unusable due to high fuel costs, can now be used. Broken windows which could not be used, are made openable. Roof leaks are often repaired to preserve the quality of the insulation, and other improvements necessary for weatherization lead to a better quality of life for the

family.

E. Conclusion

Weatherization is an activity which the federal government has a long-standing commitment to undertake. With the job creation opportunities it offers, conservation should be strongly considered within the context of any jobs bill. I encourage the Committee to consider its inclusion into the range of activities in any bill you might ultimately recommend.

Thank you for the opportunity to comment.

ENERGY CONSERVATION BULLETIN

Vol. 2
No. 2
September/October 1982

Newsletter of the Energy Conservation Coalition

INSIDE

	Page
Opinion.....	2
Doors Squeak Open at Conservation Bank.....	3
Shareholder Resolutions: Shedding Light on Utility Management.....	4
Link Up: Living the Simple Life in Appalachia.....	5
Energy/Employment Strategy Group Forums.....	6
Bookshelf.....	8
Ask Dr. Bob.....	8
Short Takes.....	9
Coming Events.....	9
Court Settlement Sends \$10 Million to States.....	10

Energy & Employment: Twin Crises, Common Solution

by

Margaret Morgan-Hubbard and Brian Turner

Margaret Morgan-Hubbard is Director of the Jobs in Energy Program of the National Committee for Full Employment. Brian Turner is Director of Legislation and Economic Policy for the Industrial Union Department of the AFL-CIO.

The challenge before our country now is to resolve the twin crises of energy and employment. In the past, conventional economic wisdom has held that growth in employment levels is directly and inextricably linked to increased energy use. At the same time, we have experienced the shortages and unreliability of current energy sources, and we have witnessed an unrelenting and seemingly intractable rise in joblessness. To counter these trends, important work is now underway which demonstrates the employment potential of conservation and renewable energy. This work suggests that more efficient energy use actually improves the chances for achieving full employment.

Unemployment

Unemployment rates today have reached levels not seen since the Great Depression. Each week, all across the nation, more than 440 businesses, large and small, declare bankruptcy. 10.8 million workers are out of work; fewer than half of these are receiving any form of unemployment compensation. Another 1.5 million have given up even looking for a job. 5.6 million more are underemployed, unable to make a living wage. The crisis has been aptly described by AFL-CIO president Lane Kirkland:

"Deliberately denying human beings the opportunity to develop to their highest potential is not only morally wrong, but economically foolish as well. It guarantees national decline and decay."

The national economy pays a high price for unemployment. Government tax revenues are reduced and expenses for unemployment compensation, food stamps, welfare, and other services increase. Each percentage point of increased unemployment drains nearly 30 billion dollars from the Federal budget.

But the human costs of unemployment are far greater. They defy all accounting. Of all the resources that are thrown away in our nation's economy, it is the waste of human lives and human potential that is the most tragic. Unemployment undermines the dignity of the individual. Alcoholism and other forms of drug abuse, mental illness, family and community disintegration all increase in times of high unemployment. Women, youth, the elderly, blue collar workers, and members of ethnic minorities suffer the most as unemployment rates soar. Today Black teenage unemployment nationwide has reached a staggering 52 percent, with little prospect of improvement.

To relieve such chronic unemployment, investment capital must be found for

continued on page 6

continued from page 1

job creation through new economic activity. However, because of our continued reliance on increasingly scarce and costly energy, resources that could be used for investment capital have instead been diverted to pay for energy supplies. If we can find less costly energy sources and/or use the energy we have more efficiently, we increase our chances of generating the financing required for renewed economic growth and job creation.

Energy

As much as 40 percent of the energy consumed in our nation is wasted. The same activities and services could be carried out using much less energy. This means billions of dollars now spent on energy could be invested elsewhere if energy were simply used more efficiently. For example, over one-third of our nation's energy consumption goes for space heating, hot water, air conditioning and lighting of residences, commercial structures and factories. According to the Solar Energy Research Institute, investing in energy conservation methods in these structures could save the equivalent of 8 million barrels of oil per day—twice our current oil imports.

While saving energy costs, and freeing up money to invest in new enterprises, investing in energy efficiency would also create a new local industry with several advantages. Adequately weatherizing the nation's existing commercial and residential structures would employ hundreds of thousands of workers for at least two decades. Since the building stock most in need of retrofit is located in depressed, urban communities, conservation jobs would be available where they could have a direct impact on unemployment. Such jobs require neither complex manufacturing facilities nor large capital expenditures. They cover a wide range of skill levels, providing both entry-level positions to the so-called hard-core unemployed and unskilled youth, and skilled and training positions to workers from the currently underemployed construction trades.

Clearly, programs designed to promote energy efficiency and job creation hold great potential. A study commissioned by the Joint Economic Committee of Congress found that as many as 2.9 million jobs could be generated

over two decades by a comprehensive program introducing conservation and solar energy into all sectors of the economy. Millions of additional jobs would be created as consumers shift their spending from costly, previously wasted energy to other goods and services that can generate new employment.

Jobs in Energy Program

The Jobs in Energy Program of the National Committee for Full Employment (NCFE) is testing this potential through several community energy projects. NCFE was created in 1974 by over seventy major civil rights, religious, energy, labor, and community organizations. Its goal is to educate the American people about the need for programs and policies to bring about full employment. In 1980, NCFE began the Jobs in Energy Program (JIEP) to undertake a national education campaign to encourage energy conservation and to build public support for employment and energy projects.

In a letter announcing the new project, NCFE co-chairpersons Coretta Scott King and Murray Finley called this step a "natural progression" of the Committee's commitment to assist in creating jobs which meet urgent national priorities as mandated by the Humphrey-Hawkins Full Employment and Balanced Growth Act. "Putting people to work solving our energy problems is one of the most important priorities facing our nation today," they stated.

JIEP's community projects and several other projects loosely affiliated with JIEP are slowly beginning to generate real employment opportunities. They provide early models for local job creation in energy conservation and renewables.

Baltimore, Maryland

There is little disagreement about the need for energy conservation in Baltimore. Today virtually all of the city's energy expenditures leave the local economy. Weatherization measures that reduce home energy use for space heating by 30-50 percent on the 200,000 single family homes in Baltimore could create steady employment for 700 people for 10 years. A similar number of jobs would be created indirectly from the impact of saved fuel dollars spent in the local economy. Nevertheless, little home weatherization has occurred

Strategy Group Forms to Focus Public Attention on Employment and Energy Policy

A broad coalition of energy, labor, church, minority, environmental and consumer organizations recently released a Statement of Principles on the close relationship between employment and energy policy. This group, convened by the Jobs in Energy Program, is preparing a program for 1983 to promote job creation in energy conservation and renewable energy as a step toward achieving a more stable and secure "full employment economy."

The following groups have already committed themselves to this effort:

- American Federation of State, County and Municipal Employees
- Citizen/Labor Energy Coalition
- Consumer Energy Council of America
- Environmental Action Foundation
- Environmental Defense Fund
- Environmentalists for Full Employment
- International Association of Machinists
- Interreligious Emergency Campaign for Economic Justice
- National Consumers League
- National Urban Coalition
- National Urban League
- Public Citizen
- Rural Coalition
- Service Employees International Union
- Sierra Club
- Solar Lobby
- United Auto Workers
- United Church Board for Homeland Ministries

For more information and a copy of the Statement of Principles, contact Margaret Morgan-Hubbard, 1536 16th Street, N.W., Washington, D.C. 20036.

for two principal reasons: the nature of the city's housing stock and the lack of reliable, comprehensive service delivery. The blocks of brick houses which comprise much of Baltimore waste huge amounts of energy. However, these structures are difficult to make more fuel efficient because insulating their masonry walls and flat roofs is impossible using conventional methods. Those homeowners who do choose to explore weatherization are faced with many confusing and contradictory sales pitches instead of a convenient and frank assessment of their home's energy conservation potential, a simple means of arranging for needed retrofit work to be performed, and a source of consumer financing at affordable interest rates.

To remedy this situation the Baltimore Jobs in Energy Project (BJIEP) began by developing a cost effective practical alternative to the "stud and batt" method of interior wall insulation using an exterior styrofoam-and-stucco system. BJIEP also acquired the equipment and developed the expertise for roof weatherization by cutting a hole in the roof and venting.

The next step was to establish a comprehensive, reliable, and affordable "one-stop" weatherization service, utilizing existing local resources. BJIEP now offers a free home energy check up, installation of comprehensive weatherization (roof and wall insulation, infiltration improvements, storm windows and basic low-cost measures), and financing (through the City's Energy Conservation Loan Program—11 1/2 percent loans up to \$3,500 for 7 years) all in one package.

In order to generate jobs for presently unemployed workers and skilled trades people, BJIEP established itself as a non-profit community-based contractor, and is developing a training program. At the same time, BJIEP developed and initiated a neighborhood-based marketing strategy to inform residents of the economic benefits of energy conservation.

On September 7th, BJIEP launched its Neighborhood Energy Extension Service with a Community Weatherization Fair in South Baltimore. Twenty-five homes will be weatherized by the Baltimore Jobs in Energy Project, the City and others. After the pilot blocks are weatherized, BJIEP and its associated community organizations will

assist other neighborhoods to conserve energy in their homes this winter.

Philadelphia, Pennsylvania

The annual fuel bill for the City of Philadelphia is a staggering \$2.7 billion. Of this, 40 percent is residential fuel use, and since 80 percent of the city's housing heats with gas, this bill will increase dramatically as gas prices escalate. This means that thousands of consumers who could not or did not pay for energy this past winter will be facing far larger bills in the years to come. Moreover, spiraling fuel costs have already forced many local businesses to fold and have resulted in unprecedented high unemployment.

According to the City of Philadelphia's Energy Management Office, a comprehensive weatherization program in the city could generate nearly 2000 conservation jobs over the next ten years and recycle hundreds of millions of dollars into the Philadelphia economy. However, the programs required to perform this work are not in place. The existing programs run by the municipal gas utility have reached only a small segment of the population.

To address these deficiencies the Philadelphia Jobs in Energy Project (PJIEP) was established to develop, package and market comprehensive energy conservation services through community-based organizations. Under the guidance of PJIEP's project directors, church, labor, minority, neighborhood and energy organizations formed a steering committee which became the enterprise's Board of Directors.

With the commitment of local organizations, PJIEP has begun putting together the necessary building blocks for a long-term job creation strategy. Community education, an auditing and financing package, guaranteed service contracts, and post-installation inspecting and monitoring are all part of this effort.

PJIEP has combined its marketing and auditing efforts with the municipal utility's loan program and has been working with community-based contracting firms to ensure that the weatherization jobs that result are performed by businesses that employ local minority and low income workers.

Philadelphia's Jobs in Energy Project just completed its training of a neighborhood marketing force in time for a targeted neighborhood-based market-

ing effort this fall.

In addition, the project has launched its Non-Profit Energy Management Corporation that will package and finance weatherization work on buildings owned by non-profit organizations serving Philadelphia's low income communities. The first loan made by this new corporation will help a neighborhood church in North Philadelphia housing a school and community center become more energy efficient, thereby ensuring the survival of a valuable community resource.

Future Prospects

These two cases are an encouraging start. They are demonstrating that energy conservation provides local communities an opportunity to fight both unemployment and high energy costs with a single, simple, local strategy.

The best way to beat our nation's chronic inflation and increasing unemployment is to maintain a full-employment economy with jobs targeted to keeping inflation under control. Productive jobs in energy and housing can help reduce inflation in the necessities sector. If we want to penetrate chronic unemployment we must undertake a targeted development approach that focuses on the most depressed communities, the currently unemployed and areas of greatest national need. We need to expand those industries which can offer stable entry-level employment. Energy conservation and renewable energy production are two areas of national need where we can begin to find the employment solutions for which we are desperately searching.

Senator GRASSLEY. We appreciate the testimony of all of you and your contributions to our deliberation on this legislation.

I have a few questions I would like to ask before I turn it over to Senator Kennedy. In regard to the testimony of the Children's Defense Fund, I was wondering from your testimony whether you are talking about the need for new authorizing legislation for emergency assistance, or an increase in funding for existing programs? Is your recommendation similar to the recent compromise worked out by President Reagan and Speaker O'Neill?

Ms. BLANK. I think we could meet the need by increasing existing authorizations. I think if we look at food and shelter, we could—food we could probably look to commodities and food stamps. I am not an expert in that area. I think if we look to the protective services issue, we could increase title XX. One thing I am concerned about is that we see a real increase. In the President's package we saw the figure \$50 million for child care which represented the difference between the fiscal year 1983 and the fiscal year 1984 authorization for title XX. Given the pressures of the States, we do not think \$50 million represents any significant new dollars for child care nor for protective services.

But we do think it could be done through existing authorizations; yes.

Senator GRASSLEY. I appreciate that. And Mr. Husk, first of all, the National Association of School Boards has come forth in a very general way with support for the inclusion of local schools in both public works and public service employment bills. Does this association share your testimony, or do you have a position somewhat different from theirs?

Mr. HUSK. As a matter of fact, the report I referred to was a report that was jointly done by our organization and the National School Boards Association and the American Association of School Administrators. And in preparation for our testimony, we did review our testimony with them, and they are in general concurrence with the direction that we recommend.

Senator GRASSLEY. Mr. Husk, how many man-years of employment would your proposed \$1.5 billion program produce?

Mr. HUSK. We think that it will probably be in the range of 125,000 to 150,000.

Senator GRASSLEY. Do you have any conclusions as to when that employment would occur, the time lag?

Mr. HUSK. Well, as you probably know, the way we gathered our data on the need for—for example the projects we talked about—was school by school gathering of data. So we know where the schools are. We know the repairs that need to be made. We know we do not have the funds to do it. As an example, from Senator Kennedy's city of Boston where the school district has deferred maintenance of \$45 million in project work. And the budget this year for maintenance is \$6 million.

That means that \$39 million worth of work will not be attended to this year and with the normal breakdown of equipment, and so forth, we are fighting a losing battle because the 10- or 15-percent increase in deferred maintenance in the next year, it means that we are always meeting the most dire emergencies, which probably would amount to, you know, replacing the windows that are miss-

ing from classrooms or whatever that particular emergency might be determined in that district.

But we are certainly ready to move on these. The work orders are there. They are just backlogged.

Senator GRASSLEY. I presume you take the position, since the backlog is so great, that there is no need for us to have concern about Federal funds supplanting local funds. However, what you would think of such a requirement.

Mr. HUSK. I do not think it would be a problem in this regard, because as you just indicated, the local and State budgeted figures are—they are ready for this particular area. Now——

Senator GRASSLEY. But you would not have any opposition to such a——

Mr. HUSK. Supplanting funds, I do not think we would have a problem. But we might have some problem if they put a definition on the requirement that says you cannot carry out an activity that is normally carried out with general purpose funds. That would create a problem for us. These are, you know, general purpose areas, so we would need some kind of a waiver on that.

But regarding supplanting funds or, moving funds to some other area, that would not be true. And even if it were true, it may make more money available for instruction where we really need to allocate our resources.

Senator GRASSLEY. I would need some sort of a statement from you on this being an antirecession program as opposed to a supplemental school aid package.

Mr. HUSK. Do you want that now?

Senator GRASSLEY. Well, I think that that is a fear that is generally raised. I do not say it in an accusatory way.

Mr. HUSK. There is a bill that has been introduced over on the House side by Congressman Kildee that incorporates a lot of the concepts that we have included in our report. And the way it gets to be an antirecessionary piece of legislation is that the funds in their targeting, the areas that we are talking about, those areas that have the greatest need as determined by low-income populations, and so forth, give us the ability to put moneys into geographic areas that do not normally get the first shot at these funds.

And I think that also it provides employment opportunities. The jobs we are talking about, as was talked about with energy, do not require an awful lot of training and preparation, and it gives people a first-time employment opportunity.

And I think, as you probably know from the testimony you have heard in this committee and other committees, that for many, many people who are the long-term unemployed, getting the first job, that is extremely important. Our high school graduates from our urban school districts—more than half of them have never had a job while they were in school. And so these types of opportunities, both for them and for their older brothers and sisters, is very important. I think those are the people that we would be talking about.

Senator GRASSLEY. Your testimony then implies that there would be an emphasis upon hiring young people as opposed to persons of any age?

Mr. HUSK. No. Our testimony then, because we talked on several points, within the youth employment emphasis—

Senator GRASSLEY. What you are saying is that there would be employment opportunities for young people.

Mr. HUSK. There would be opportunities. At that salary level, too, I think you would be pretty much in the position where you would be hiring persons between the ages of 16 and 24 anyway.

Senator GRASSLEY. I want to thank all of you for your help in answering my questions and Senator Quayle's. I would ask Senator Kennedy, as I leave, to please close the hearing. Thank you.

Senator Kennedy [presiding]. Thank you very much, Senator Grassley.

And I want to welcome you here this morning and thank you for joining us on what I consider to be an extremely important aspect of an emergency program. The jobs program which I have introduced is a 1-year authorization. It would be authorized this year, used in 1983, and in the early part of 1984.

I think all of us agree that the most important overall policy is a restored economy. But in the meantime, this Nation has to meet some the very important human needs of our society. I am familiar with the programs that you have all commented on and have supported them in the past.

Having reviewed the administration's approach and then reviewing the approach that I have taken in my legislation, which one do you believe will put more people back to work? That is what I am most interested in. I would appreciate each of you briefly commenting on that, if you have formed an opinion.

Mr. HUSK. Senator, I would like to comment. This morning when Governor Du Pont was testifying, it seemed to me that with the administration's acceleration of \$4.3 billion jobs package, those are jobs that would have been created anyway. So the acceleration is really accelerating something that was in existence already. What you are doing, in addition to that, is providing an immediate thrust for additional jobs which would not be created if it were not for the infusion of these funds. And I think that is extremely important, to make the differentiation between what would ordinarily be an ordinary hire done, according to the Federal procurement, Federal contracting, and so forth, and what you are suggesting, which is an extraordinary measure which needs to be taken because we are in an extraordinary situation.

Ms. BLANK. We agree with Mr. Husk. We believe that the administration's package does not create any additional dollars for new jobs. We also are very pleased that your package includes jobs that are nonconstruction jobs, and you recognize the need for jobs in schools and in clinics and in daycare programs, and that you also recognize the need for support services, too.

Senator KENNEDY. And even though the administration has some money in there for daycare—\$50 million—we obviously are well above that at \$250 million.

Ms. BLANK. Yes. And as I mentioned, that \$50 million is treated in the same way that the jobs money is treated. It is money that is already in the pipeline, while you propose adding \$200 million of new title XX dollars.

Senator KENNEDY. It is also targeted to unemployed individuals. Obviously, we are concerned about new people in the market, but there is an enormous amount of need for those that have held jobs and have lost them. And so all the way through our program we have emphasized and stressed that. If you have additional suggestions of where that point can be emphasized, I would welcome them. I want to also ask as well Karl Pnazeck.

Mr. PNAZEK. There are several points I would like to make. First, I think your bill would get the money out faster. I think that is extremely important.

Senator KENNEDY. Yes, right.

Mr. PNAZEK. Second is not only getting it out faster, but the ability to hire people. Because of the way the administration's bill is proposed, I seriously doubt whether there would be any hires within a short period of time.

I think there are two other restrictions that should be mentioned. The first is the bill specifically proposed by Senator Quayle would restrict program increases to 10 percent of the fiscal year 1983 outlays. In the case of weatherization, as an example, that would only be \$15 million. Your proposal of \$500 million for weatherization and \$200 million for the Solar Energy Conservation Bank obviously has much greater appeal to our constituency, and I think from an overall perspective, it serves the national interest better.

The other concern that we have is the \$15,000-per-year limitation; that is, take the total appropriation and divide it by \$15,000 to determine how many jobs should be created. I think no matter what kind of activity that is proposed and ultimately adopted, there has to be a realization that \$15,000 might be the cap for any individual job, but that you cannot take the total pot and expect it to fund only jobs. Some of that money is going to be used to offset other costs that are associated with the development of a jobs program.

Senator KENNEDY. I have been very interested in the whole weatherization program. Do you know what the Canadians are doing in terms of their weatherization program? I understand they have a very ambitious program with both grants and credits.

Mr. PNAZEK. The only thing that I could add to that with certainty, because they are in a budget crunch right now too, is that they have been very innovative in involving the private sector in energy conservation. In fact, some of the public utility commissions in this country are beginning to emulate some of the Canadian action with regard to forcing utilities to get involved.

Senator KENNEDY. Mr. Husk, in the CDBG program, we have a significantly higher amount of resource and it is targeted toward jobs and unemployment. So I would think the kinds of things that you have outlined here are well known to mayors and school committees in the States.

I just mention to Helen Blank, I do not know whether you remember, but in the 1976 tax bill, we had a Kennedy amendment that gave a \$250 credit.

Ms. BLANK. Did you not support it being refundable? Was that in 1976?

Senator KENNEDY. Refundable.

Ms. BLANK. We are still trying.

Senator KENNEDY. We carried that all the way to the conference. But that was an example of being sensitive to not only the families that have the resources to take some kind of credit, but also for the needy people.

And the total figures in terms of lost revenues are extremely, extremely modest. It certainly seems an idea worth following through although we are not in a climate and a mood where that is likely to occur.

Ms. BLANK. Our children's survival bill recommends making it refundable and expanding the sliding fee from 30 to 50 percent. We are going to continue to work to make people aware of that credit.

Senator KENNEDY. Wonderful. As you know I am a cosponsor of that.

I want to thank you for your participation today. I am very hopeful that we will be able to include a number of your concepts in whatever program comes through. I think you have given us excellent justification for such inclusion. You have made very powerful testimony, telling testimony, and I look forward to trying to make the case in the committee and on the floor as well as you have made it here.

Thank you for all your cooperation and help in the past, and the work you have done on legislation relating to these areas.

[Additional material supplied for the record follows:]

TESTIMONY

on

S. 242 and S. 493

by

Nolen M. Ellison
Chancellor
Cuyahoga Community College District
Cleveland, Ohio

on behalf
of the
American Association of Community and Junior Colleges
and the
Association of Community College Trustees

Subcommittee on Employment and Productivity
Committee on Labor and Human Resources
U.S. SENATE
February 23, 1983

Mr. Chairman, there are some wonderful initiatives proposed in the bills before this Subcommittee, and we welcome this opportunity to present our views on several features of S. 242 and S. 493, and to support your efforts in putting America back to work.

The crisis which engulfs the American economy is not an emergency that will yield to short-term solutions alone. The crisis which confronts us in global economic competition, spanning such diverse markets as automobiles, electronics and robotics, is a principal cause of the heavy unemployment and protracted recession which the Nation is suffering.

In contributing to H.R. 1310, the Emergency Science and Mathematics Education Act, on which the House Committees on Science and Technology and Education and Labor completed mark-up yesterday, Representative Doug Walgren, Chairman of the Science, Research and Technology Subcommittee, stressed the point that the American workforce is caught between mounting job obsolescence and advanced skills shortages. Emerging technology will render still millions more jobs obsolete before we turn the new century -- scholar Peter Drucker puts that number as high as 15 million. Yet, at the same time, great numbers of new jobs are going unfilled because Americans have not acquired the training that the jobs require.

The shortfalls and mismatches in our workforce are compounded by two other glaring weaknesses for which solutions must be found -- the general illiteracy which permeates every age group in our society, and the technological illiteracy which looms as a major impediment to skills training.

Without wishing to paint the outlook all bleak, Mr. Chairman, I want to convey our conviction that the long-term revival of the American economy and the restoration of our competitive edge in global commerce is going to depend on

the full use of the Nation's human capital and the general replenishment of our skills base.

The Association of Community College Trustees and the American Association of Community and Junior Colleges share the consensus, as expressed by their Joint Commission on Federal Relations, for which I am speaking here, that the country needs a human resources policy which stands as high in priority as our national security. It is just as true for national security as it is for the economy that our strength depends on a highly developed, highly competitive skills base. What is needed is a national strategy by which the presently fragmented federal employment and training programs can be focused on the comprehensive development of that skills base. As much as the Nation needs an emergency program that will give large numbers of the jobless immediate employment, the long-term solutions clearly lie in training and retraining. We vigorously applaud the steps in that direction that you are considering in the Quayle, Kennedy and Pell bills. We want to comment in particular on two features of the legislation:

First, making it easier for the jobless to qualify for Pell Grants with which to pursue new job skills will contribute to increased productivity for both the short term and the long term. We heartily endorse the provision that allows the displaced worker to take advantage of Pell Grants without showing either his or her equity in a home or his or her unemployment compensation benefits in the income qualifications for the grants. The adult whose taxes have been helping fund federal student aid but whose employment lapses ought to be just as eligible for the Pell Grant as the more typical undergraduate student, provided the worker is otherwise eligible. Such application of the Pell Grant program we see as

fully consistent with the basic intent of the program, i.e., using educational access to overcome economic disadvantage.

The greater higher education community joins us in support of this concept with the clear understanding that Pell Grants for the displaced workers will be separately funded, as Senator Kennedy prescribes. Mr. Chairman, we would like the accompanying letter from the American Council on Education to that effect to appear at this point in the Record. Giving displaced workers access to undergraduate training through Pell Grants can undoubtedly enlarge the national skills base, but not if they are thrown into the already oversized pool of students who presently compete for the grants. If that were to happen, one population would generally displace the other in the training stream which would defeat the aim of enlarging the skills base and increasing productivity.

In short, Mr. Chairman, our recommendations to Congress on making federal student financial aid more responsive to job training needs can be summed up as follows:

1. Provide what the President is asking for Pell Grants, \$2.713 billion; or better still, fund them at the \$3 billion ceiling that the Budget Reconciliation Act allows, then earmark an additional \$400 million in Pell Grants for displaced workers, as Senator Kennedy proposes.
2. Also, provide a substantial increase in College Work-Study, as the President has requested, while allowing CWS to provide more part-time employment for students in the private sector. Using CWS to generate more cooperative education in industry can hasten the renewal of the Nation's skills base.

3. Adopt the President's proposal to double the ceiling on the costs of attendance which commuting students can claim each year in obtaining Pell Grants, or invoke the 1980 amendment that allows each college to document its own costs of attendance schedule. The Department of Education has maintained the same \$1,500 ceiling for commuting students since the first Pell Grants were made a decade ago. That ceiling has seriously undermined the original intent of basic grants, by putting college beyond the financial reach of growing numbers of the student population that the grants are basically intended to help.

Unless you eliminate that ceiling, many displaced workers you are trying to help will find community college courses or any other new skills training beyond their financial reach.

While 90 percent of the Nation's population lives within a 20 mile commute of the Nation's 1,000 public community and technical colleges and the array of advanced skills courses they offer, Pell Grants of only \$750 or \$800, which are typical for community college students under the \$1,500 costs of attendance and half-cost restrictions, will not provide a strong incentive to the displaced worker to tackle new training. Lifting that ceiling would virtually double the grants for the less-affluent commuting students. Though tuition runs \$20 or less per credit hour for most community colleges, the costs of attendance for the typical commuting student now average \$3,000 or more each academic year.

Turning to the second feature on which we wished to comment, we believe you are opening another door to recovery by excluding unemployment compensation from the income that displaced workers would report in applying for Pell Grants under your program. This move logically should lead to a companion step, if displaced

workers are to reap the benefit of your program in every State. There are States that continue to disallow unemployment compensation payments to those who take up full-time training when they lose their jobs. We would be hard pressed to think of a practice more out of step with the times.

We hope, Mr. Chairman, that this Subcommittee will take the lead not only in directing the States to reverse that practice, but also to require that referral to training will be the automatic alternative to a job referral when the latter does not yield immediate employment. The Committee would be acting wisely, in our view, to consider building training incentives into the schedule of unemployment compensation benefits, as our stronger and more progressive rivals in the industrial world such as Germany and Sweden already have done.

To compete in this world of rapidly changing technology Americans who are willing and able to work must accept training and retraining as indispensable to both national and personal fulfillment. Your legislation can help the private sector and public policy to work in closer harmony to open that opportunity to our people.

Mr. Chairman, the American Association of State Colleges and Universities and the American Vocational Association have specifically asked to be associated with the Association of Community College Trustees and the American Association of Community Colleges in this testimony.

We thank you again, Mr. Chairman, for the invitation to testify and for your interest in our views.

AMERICAN COUNCIL ON EDUCATION

Division of Governmental Relations

February 22, 1983

The Honorable Dan Quayle
 United States Senate
 254 Russell Senate Office Building
 Washington, DC 20510

Dear Senator Quayle:

On behalf of the higher education community, we are writing to comment on the provision of S. 242 that would make special provisions for dislocated workers with respect to Pell Grants (Section 203).

We support this concept as consistent with the basic purpose of the Pell Grant program to provide educational access to overcome economic disadvantage. At the same time, such legislation could be counterproductive unless it provides separate funding of Pell awards for dislocated workers, such as contained in Section 202 of S. 493.

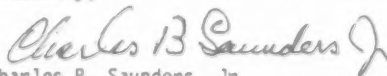
The importance of separate funding is underlined by recent studies which show a decline in participation of low-income students in the Pell Grant program, due to the failure of funding to keep pace with inflation in recent years. This disturbing trend could be accelerated unless substantial additional funding is provided for current Pell Grant eligibles.

To assure that the value of the Pell Grant is not eroded further, we believe it is vital to provide a separate funding authority if dislocated workers are to be given readier access to the program.

This letter is written on behalf of:

American Association of Community and Junior Colleges
 American Association of State Colleges and Universities
 American Council on Education
 Association of American Universities
 Association of Catholic Colleges and Universities
 Association of Jesuit Colleges and Universities
 Association of Urban Universities
 Council of Independent Colleges
 National Association for Equal Opportunity in Higher Education
 National Association of College and University Business Officers
 National Association of Independent Colleges and Universities
 National Association of Schools and Colleges of the United Methodist Church
 National Association of State Universities and Land-Grant Colleges
 National Association of Student Financial Aid Administrators

Sincerely,


 Charles B. Saunders, Jr.
 Vice President for
 Governmental Relations

cc: Members of the Subcommittee

One Dupont Circle, Washington, D.C. 20036-1193 (202) 833-4736

ORRIN G. MATCH, UTAH, CHAIRMAN
 ROBERT T. STAFFORD, VT.
 DAN QUAYLE, IND.
 PAULA HAWKINS, FLA.
 DON NIGLES, OKLA.
 LOWELL P. WELCHER, JR., OHIO
 BIRDDEN J. HUMPHREY, R.A.
 JEREMIAH DENTON, ALA.
 JOHN P. EAST, N.C.
 EDWARD M. KENNEDY, MASS.
 JENNINGS RANDOLPH, W. VA.
 ROBERTSON A. WILLIAMS, JR., R.I.
 CLAUDBORNE PELL, S.I.
 THOMAS F. EAGLETON, MO.
 DONALD W. RIEGLE, JR., WICH.
 HOWARD M. METTSCHAUM, OHIO

United States Senate

COMMITTEE ON LABOR AND
 HUMAN RESOURCES
 WASHINGTON, D.C. 20510

GEORGE W. PRITTS, JR., CHIEF COUNSEL
 BENN M. PATCH, STAFF DIRECTOR AND GENERAL COUNSEL
 LAWRENCE C. HORNWITZ, M.S., BUDGET STAFF DIRECTOR

February 22, 1983

Mrs. Alice Rivlin
 Director
 Congressional Budget Office
 Washington, D.C.

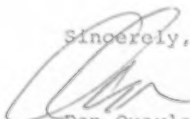
Dear Mrs. Rivlin:

Attached is a statement I have put in the Congressional Record regarding the estimation of employment impacts of jobs proposals. It would be a great service to the Congress if your office would do a comparative analysis of pending jobs proposals--using the same methodology and concepts for all of them--so that we could realistically judge their relative merits and costs. It is essential that this analysis include at least, the proposal agreed to by the President and the Speaker, S.484 and Title I of S.242.

It seems to me that a format along the following lines would be most useful.

	<u>FY 1983</u>	<u>FY 1984</u>	<u>FY 1985</u>	<u>Etc.</u>
<u>COST.....</u>				
<u>DIRECT EMPLOYMENT</u>				
Man-Years.....				
Jobs.....				
Average Duration..				
<u>INDIRECT EMPLOYMENT</u>				
Man-Years.....				
Jobs.....				
Average Duration..				

Sincerely,



Dan Quayle
 Chairman
 Subcommittee on Employment
 and Productivity

DQ/mks



CONGRESSIONAL BUDGET OFFICE
U.S. CONGRESS
WASHINGTON, D.C. 20515

Alice M. Rivlin
Director

Honorable Dan Quayle
Chairman
Subcommittee on Employment and
Productivity
Committee on Labor and Human
Resources
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

Thank you for your letter of February 22, 1983, requesting information on jobs bills before the Congress. As you indicated, it is very important to evaluate the job-creation potential of these proposals on the basis of comparable information, and to differentiate between direct and indirect employment effects.

Unfortunately, precise information on the numbers and kinds of jobs that could be created by these stimulus proposals is not available. The enclosed attachment provides details on the steps involved in estimating employment impacts, and summarizes the available information.

I hope that you will find this material helpful.

With best wishes,

Sincerely,

Alice M. Rivlin
Director

Received March 1983.

ESTIMATING EMPLOYMENT IMPACTS OF JOBS PROPOSALS

Several proposals have been presented to the Congress to address the record-high levels of unemployment. These proposals include programs to speed up or increase federal spending on infrastructure projects, to provide grants and other assistance to state and local governments, and to create public service jobs.

Accurate estimates of the employment gains that would result from these programs would depend on several factors relating to the way the funds would be used and the relationship of this spending to other federal, state, and local spending. Because of the need for detailed information--much of which does not exist--specific employment estimates are not available. Certain information is available, however, that allows for broad comparisons of job creation strategies, as discussed in the following sections.

There are several factors that would affect the total employment impact of jobs programs currently before Congress. A good measure of a program's employment-generating capacity would be the number of full-time-equivalent jobs--or person-years of employment--generated per dollar spent for each program. This would be the number of full-time-equivalent employees paid by program funds, with a negative adjustment to reflect the

extent of substitution (or displacement) that would occur, and a positive adjustment to reflect the number of secondary jobs generated elsewhere in the economy as the result of the program spending--often referred to as induced employment. In addition, the method used to finance the program might be considered in assessing its employment effect.

DIRECT AND SUPPLYING-INDUSTRY EMPLOYMENT

Even estimating the number of person-years of employment financed directly by federal programs--which would be a poor measure of employment-generating potential, since it would ignore substitution, induced employment, and fiscal effects--would be difficult because of inadequate or noncomparable data. Although it is possible to measure direct employment for some federal programs, it is not for others.

In particular, for intergovernmental grants that are distributed to, and spent by, state or local governments, employment figures are generally not obtained from the recipient governments. At best, estimates of the proportions of program funds used for employee compensation might be compiled, but even these figures would be incomplete, since they would not include the employee-compensation portion of overhead expenses and since there would be no information on employee compensation among subgrantees. Further, estimates would generally be for the current mix of program activities--probably with varying labor intensities--and there would be no assurance that the mix would remain the same at the time increased funding was made available.

Employment gains would also occur when purchases of equipment and supplies to be used for a given program activity generated additional hiring in supplying industries. In general, programs that are particularly labor intensive would have high direct employment effects per dollar but small effects on supplying industries, whereas capital-intensive programs would have small direct employment effects but larger supplying-industry effects. Employment gains in supplying industries might, in some instances, be long delayed, however. For this reason, programs with the same aggregate employment-generating potential might differ substantially in how quickly the additional jobs would become available.

Past experience with federally funded local public works and public service employment programs, as well as estimates by the Bureau of Labor Statistics of the employment-generating effects of federal spending for infrastructure projects, provide some indications of what the direct and supplying-industry employment effects might be for different types of federal programs. The most recent experience with federally funded public works grants comes from the Local Public Works (LPW) program, which distributed \$6 billion to states and localities during the late 1970s to fund 10,600 projects, principally in areas of high unemployment. The Department of Commerce, which administered the program, estimates that the LPW program generated 93,000 person-years of on-site project employment--principally short-duration construction jobs--plus 66,000 persons-years of

employment in supplying industries such as concrete and steel manufacturing. The average federal expenditure per person-year of employment was approximately \$38,000 in 1978 dollars. This is generally consistent with Bureau of Labor Statistics estimates that the average federal expenditure per job created through public works spending as of 1981 ranged from \$39,000 to \$51,000, depending on the type of project involved.

Experience with public service employment (PSE) programs is quite different. Most recently, the federal government funded PSE programs between the middle 1970s and 1981 as part of the Comprehensive Employment and Training Act (CETA), with PSE spending peaking at \$5.8 billion in 1978. Most PSE jobs were short-duration positions, lasting an average of about seven months, in such areas as law enforcement, education, transportation, and parks and recreation. The number of jobs created by past federal PSE programs varied with changes in program rules, particularly limitations on federal contributions to wages. When phased out in 1981, the annual federal contribution to wages was limited to \$10,000, and each person-year of employment cost approximately \$11,000 in federal outlays--about 70 percent of which went directly for wages. Estimates are not available of the direct or supplying-industry employment effect of the 30 percent of funds that went for purposes other than wages.

INDUCED EMPLOYMENT

Employment would also occur due to more broad-based economic gains resulting from the increased federal spending. Specifically, persons hired directly as the result of increased federal spending would probably use a large fraction of their wages to increase their purchases of food, clothing, recreation, and other goods and services. The income thus generated for the providers of these goods and services would be the basis of still more spending. Although the timing of later-round spending and the precise nature of associated employment gains would vary somewhat among different types of federal jobs programs, the long-term economic consequences of different types of jobs programs could be more similar than would the direct and supplying-industry effects alone.

FINANCING A JOBS PROGRAM

Finally, the method of financing any jobs program--whether through increased taxes or increased federal borrowing--would also affect its employment impact.

Programs that would simultaneously raise taxes could reduce the net effect on jobs by reducing other economic activity. This is because the increased tax burden would, for the most part, reduce household and business spending. A tax-financed program could, however, change the distribution of unemployment and employment among industries. Also,

depending on the timing of the tax and spending increases, more jobs now might effectively be traded for fewer jobs in the future--when the overall level of unemployment is expected to be lower. This outcome might be achieved, for example, if spending were increased quickly but the tax increases were postponed until future years, provided the monetary authorities accommodated the increased economic activity in the near term.

Raising federal spending for a jobs program without simultaneously increasing taxes, by contrast, would increase near-term employment, but the concomitant increase in the federal budget deficit might limit the longer-term net increase in jobs. With unchanged monetary policy, for example, interest rates might rise, eventually offsetting part or all of the stimulus. Loosening monetary policy to avoid an increase in interest rates in the short run, on the other hand, might lead to higher inflation and a rise in long-term interest rates, thereby attenuating the jobs-creation results.

ORRIN G. HATCH, UTAH, CHAIRMAN
 ROBERT T. STAFFORD, VT.
 DAN QUAYLE, IND.
 PAULA HAWKINS, FLA.
 DON NEXLEY, GELA.
 LEWELL P. WEICHER, JR., OHIO.
 GORDON J. HONTHART, N.M.
 JERRY MIKE DENTON, ALA.
 JOHN P. EAST, N.C.
 EDWARD M. KENNEDY, MASS.
 JENNINGS RANDOLPH, W. VA.
 HARRISON S. WILLIAMS, JR., R.I.
 CLAIRBORNE PELL, R.I.
 THOMAS F. EARLETON, MD.
 DONALD W. RIEGLE, JR., MICH.
 HOWARD M. METZENBAUM, OHIO
 GEORGE W. PUTTS, JR., CHIEF COUNSEL
 DENIS M. PATCH, STAFF DIRECTOR AND GENERAL COUNSEL
 LAWRENCE C. HONNIGT, M.D., SENATE STAFF DIRECTOR

United States Senate

COMMITTEE ON LABOR AND
 HUMAN RESOURCES
 WASHINGTON, D.C. 20510

February 22, 1983

Mr. Kenneth Duberstein
 Assistant to the President
 for Legislative Affairs
 The White House
 Washington, D.C. 20500

Dear Mr. Duberstein:

In his press conference of February 16, the President said that his proposal "would provide \$4 billion in accelerated expenditures for needed federal construction and repair projects. These projects directly and indirectly could provide as many as 470,000 jobs." This would work out to about \$8,500 per job.

I would be interested in finding out (1) how many of these jobs would be directly created on construction sites and how many would be indirect, i.e., additional employment of providers of construction equipment and supplies and jobs generated in other sectors of the economy; (2) the average duration of these jobs; and (3) the calendar years in which they would be created.

As you know, there are many jobs proposals before the Congress and I believe it would be very helpful in the consideration of these proposals if they could all be measured against the same yardstick, i.e., the cost per man-year of employment for each year in which employment could be generated.

Sincerely,

Dan Quayle
 Chairman
 Subcommittee on Employment
 and Productivity

DQ/mks

Attachment:

"Jobs Proposals--Lets all count with the same numbers"

COPY

S 1468

CONGRESSIONAL RECORD — SENATE

February 22, 1983

JOBS PROPOSALS—LET US ALL
COUNT WITH THE SAME NUM-
BERS

• Mr. QUAYLE. Mr. President, Congress is currently flooded with jobs proposals, including one of my own. Each proposal makes its own claims on number of jobs created and costs of the program. Unfortunately, we all count using different numbers and I think it would be helpful if we used the same measuring stick in evaluating all the proposals.

Let me illustrate the problem by using data from the old local public works (LPW) program of the mid-1970's. It has been said that that pro-

gram created 1 million jobs, that it created 350,000 man-years of employment, and also that it created 96,000 man-years of direct onsite employment. All of these numbers are equally accurate and come from the same source. Whether the program created 1 million jobs or 96,000 is only a question of which definition you use—so it is important to be clear about definitions.

The basic concept in jobs programs is the man-year—person-year—of employment. That is, one person working full time for 1 year. It is sometimes described as a job slot. No more employment is created by employing 12 people for 1 month each, than 1 person for a full year. Both equal 1 man-year of employment but some would describe one as creating 12 jobs and the other as only 1 job. The reason that LPW created so many jobs is because the average duration of onsite employment was only 3.5 weeks. Many different people got jobs—but they got them for a very short time.

In order to avoid confusion, it seems to me that proponents of jobs programs—including me—should be explicit about what they mean by the number of jobs they claim. The best way to avoid confusion is to give, first the number of person-years of employment, and either second, the number of different persons expected to be employed or third the average duration of employment. My own bill, S. 242, the Employment Opportunities Act of 1983 would, under title I, provide 133,000 man-years of employment and employ 250,000 persons for an average duration of 7 months.

A second critical issue in evaluating employment impacts is when the jobs would occur. Employing one person for 2 years creates 2 man-years of employment—but it clearly has less of an anticyclical impact than employing two persons for 1 year. For clarity, employment claims for jobs proposals should break down claims by time periods. Under my bill, S. 242, all employment would be within a 1-year period from the date of the appropriation.

The third critical issue in evaluating employment impacts is what jobs are counted. Some count only directly created jobs; that is, those that are funded from the appropriation and are verifiable through the audit process because they show on the payroll records of the contractor or grant recipient. Others also count indirectly created jobs which are those that are induced by the direct jobs through the purchase of supplies and equipment or through impact on other sectors of the economy.

The difference in these measures can be considerable as illustrated by the local public works (LPW) program. It created 96,000 man-years of direct employment but over 350,000 person-years of indirect employment was estimated. Indirect employment is necessarily an estimate—even after the

fact—because there are no records to verify it.

So that all of us promoting jobs bills will count with the same numbers, we should be precise in our claims by distinguishing between direct and indirect employment effects. For S. 242 the estimate given above is for direct employment only—we estimate an equivalent amount of indirect employment.

Attached is a letter I have written to the Director of the Congressional Budget Office requesting that office to analyze the employment impacts of all major jobs proposals using the same concepts and methodology for all bills.

The letter follows:

U.S. SENATE,
COMMITTEE ON LABOR AND HUMAN
RESOURCES,
Washington, D.C., February 22, 1983.

Mrs. ALICE RIVLIN,
Director, Congressional Budget Office,
Washington, D.C.

DEAR Mrs. Rivlin: Attached is a statement I have put in the Congressional Record regarding the estimation of employment impacts of jobs proposals. It would be a great service to the Congress if your office would do a comparative analysis of pending jobs proposals—using the same methodology and concepts for all of them—so that we could realistically judge their relative merits and costs. It is essential that this analysis include at least, the proposal agreed to by the President and the Speaker, S. 484 and Title I of S. 242.

It seems to me that a format along the following lines would be most useful.

	Fiscal year—			
	1983	1984	1985	SI
Direct employment				Other
Man-years				
Jobs				
Average duration				
Indirect employment				
Man-years				
Jobs				
Average duration				

Sincerely,

DAN QUAYLE,
Chairman, Subcommittee on
Employment and Productivity

THE WHITE HOUSE

WASHINGTON

1983 MAR 12 10 10 32

March 11, 1983

Dear Senator Quayle:

Your suggestion that a uniform method should be used in estimating the number of jobs to be created by job-creating legislation and its costs makes a great deal of sense. I do not believe, however, that it would now be worthwhile to use such a method to analyze the President's estimates made in his press conference back on February 16.

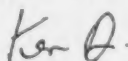
The President's estimate that \$4 billion of accelerated construction and repair expenditures could create 470,000 jobs was only illustrative. No final determination of the projects to be accelerated had been made at that point. Those determinations were to be made through negotiations with the Congress.

The round estimates used by the President were based on a compilation of suggestions from previous legislative proposals and a review of other acceleration options. The House has now passed a more definitive list and we fully expect the Senate to act shortly. In view of the action already taken, it would not be useful for us to try to analyze the tentative estimate conveyed on February 16 in the detail you suggest.

When a final jobs bill has been signed into law, and the list of projects is set, we will be glad to perform the analysis you requested.

With best wishes,

Sincerely,



Kenneth M. Duberstein
Assistant to the President

The Honorable Dan Quayle
Chairman, Subcommittee on
Employment and Productivity
United States Senate
Washington, D.C. 20510



DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

DEPUTY ASSISTANT SECRETARY

FEB 28 1983

Dear Mr. Chairman:

This is in response to your request that the Department of Treasury provide written testimony concerning several issues of Federal tax policy included in S. 242, the Employment Opportunities Act of 1983. Before discussing the tax issues included in S. 242, I want to emphasize our support for the Administration's jobs bill, the Employment Act of 1983. The Administration's proposal was explained by Labor Secretary Donovan before the Senate Finance Committee on February 18, 1983.

This testimony will address three issues which your staff has requested us to examine. First, S. 242 would allow certain dislocated workers an exemption from the 10 percent penalty imposed on early withdrawals from Individual Retirement Accounts (IRAs). The Administration supports such a proposal, subject to the development of a simpler and more objective definition of a dislocated worker.

Second, S. 242 also includes an employment subsidy for employers hiring individuals who have exhausted unemployment insurance benefits. The Administration proposes a similar employment subsidy in the form of jobs tax credits as part of the Employment Act of 1983. A comparison of the proposals raises two important issues about government incentive programs. First, I will discuss the relative merits of providing employment subsidies for certain target groups through an employer tax credit program as opposed to providing them to employers via cash payments. Second, I will discuss the difference in the amount of the incentive provided to employers for hiring the long-term unemployed under the alternative proposals.

Finally, your staff asked for analysis of the appropriate source of funds for job retraining programs. S. 242 requires funds for retraining to come from the general revenues, whereas the Administration's proposal would permit the diversion of up to 2 percent of State unemployment trust funds for job retraining. Despite the fact that this proposed use of the State unemployment trust funds would necessitate an amendment to Internal Revenue Code section 3304(a)(2), this issue should be discussed by the Labor Department, rather than by Treasury.

Exemption of IRA Penalty for Early Withdrawals by Dislocated Workers

Under current law, distributions from an Individual Retirement Account (IRA) made before the taxpayer who established the account reaches age 59-1/2 are subject not only to income tax but also to an additional 10 percent tax on the amount of the distribution. An exemption from this 10 percent penalty for early withdrawal is currently allowed in the case of distributions made because the taxpayer becomes disabled. S. 242 would allow any dislocated worker to withdraw funds from an IRA before reaching the age of 59-1/2 without incurring the 10 percent early withdrawal penalty.

Subject to some modification of the eligibility requirements, the Administration supports the proposed exemption from the 10 percent early withdrawal penalty for dislocated workers. IRA's are intended to encourage savings for retirement. However, many individuals may be unwilling to commit their limited retirement savings if they must bear an additional tax upon withdrawal in a time of emergency, such as long-term unemployment. Yet these same individuals are the ones most likely to be affected at the margin by the savings incentive and thus increase their total savings, because they are not up against the \$2,000 (\$2,250, in the case of a married couple with only one worker) annual limit on additions to IRA's. The proposed legislation would encourage these individuals to establish IRA's by allowing them to get their money without penalty in the event of long-term unemployment. While the Administration recognizes that this proposal moves away from the savings for retirement objective of IRA's, the proposed exemption for the long-term unemployed is justified in such hardship cases, similar to the exemption for individuals who have become physically or mentally disabled.

We would, however, like to work with Congress to establish more objective criteria defining dislocated workers without necessarily tightening the eligibility criteria. The Administration could not support the subjective eligibility criteria proposed in S. 242. Dislocated workers are defined by S. 242 as individuals:

- o who have been terminated or laid-off, or have received notice of termination or lay-off, and are eligible for or have exhausted their entitlement to unemployment compensation, and are unlikely to return to their previous industry or occupation;
- o who have been terminated, or received notice, as a result of a permanent closure of a plant or facility;
- o who are long-term unemployed and have limited employment opportunities in the same or similar occupation in the area in which they reside; or

- o who have at least 20 quarters of coverage under Social Security, are unemployed, and are certified as unlikely to be reemployed within six months of their termination of employment by their last employer.

Eligibility criteria are quite difficult to administer if based on uncertain events such as whether individuals are likely to find employment in the same industry, occupation, or geographical area, or whether they will be reemployed by their last employer within six months. We agree with the basic concept of dislocated workers suggested by the subjective criteria. However, statutory language should include easily determined and objective criteria so the program can be administered properly. An example of a workable eligibility criteria would be unemployed individuals who have exhausted their regular unemployment insurance benefits.

Although the Administration generally supports the proposed exemption for dislocated workers, it should be made clear that the proposal will have no effect on employment and will affect few, if any, persons currently experiencing long-term unemployment. Most of the presently dislocated workers have not established IRA's. Eligibility for IRA's was only recently extended to workers covered by private pension plans, so IRA's could not have been established by many workers in the private sector until 1982. For this reason, the proposed exemption would do little to relieve the financial distress suffered by many of the long-term unemployed.

Nevertheless, the proposed exemption would improve the effectiveness of IRA's as a savings incentive by making them more attractive in the future to individuals most likely to be affected at the margin. Treasury estimates that the revenue loss from this proposal will be negligible over the next few years.

Employment Subsidies for Hiring the Long-Term Unemployed

The employment subsidies proposed in the Administration's FY 1984 budget and S. 242 are quite similar but differ in:

- o delivery mechanism,
- o amount of subsidy per worker, and
- o employee eligibility for the program.

After describing the two proposals, I will discuss the relative merits of providing this particular subsidy through the tax system rather than as a direct expenditure. An important related issue is the relative budget cost of tax and direct expenditure programs. I will then compare the amount of employment incentive provided by each of the two proposals.

The Administration's Jobs Tax Credit Proposal. The Administration proposes a jobs tax credit for employers who hire individuals who have exhausted their regular and, where available, extended unemployment benefits. The tax credit will be equal to one-half of an eligible individual's regular weekly unemployment benefit amount for each week of full-time employment over twice the duration of the individual's remaining, or potential, Federal Supplemental Compensation (FSC) benefits. The tax credit is proposed in combination with a six-month extension of FSC benefits and some tightening of the eligibility criteria for the FSC program. After September 30, 1983, FSC benefits will no longer be available, but the jobs tax credit will continue to be available to employers who hire eligible individuals before April 1, 1984. The State Employment Security Agencies (SESA's) will certify eligible individuals and administer the voucher system.

The jobs credit can be applied against several different tax liabilities. The credit will be applied first against current State unemployment tax liability. Employers can save vouchers in excess of their current payroll tax liabilities for use against both current and future Federal unemployment and income tax liabilities. Tax-exempt and governmental organizations that pay no unemployment insurance tax or Federal income tax can apply the credit against their "reimbursible expenses" owed to State unemployment programs. The Unemployment Insurance Trust Funds will be reimbursed out of general revenues for payments made with the jobs credit.

S. 242 Cash Reemployment Vouchers. S. 242, like the Administration's proposal, provides for vouchers for employers who hire individuals eligible for FSC benefits. The bill assumes an extension of FSC benefits without any tightening of eligibility. Individuals must elect to use the job voucher within one month of becoming eligible, but they may choose to receive their remaining payments if they do not find employment or are fired without cause. The amount of the job voucher will be 75 percent of the individual's remaining FSC benefits. Employers will redeem the vouchers for cash in four equal installments over a ten month period. The SESA's will certify eligible individuals and administer the voucher system.

Comparison of Employment Tax Credit With Equivalent Cash Payments to Employers

I welcome this opportunity to discuss the relative merits of providing the proposed employment subsidy to employers through cash payments rather than using credits against tax liability. The Administration's proposed tax credit and the cash voucher plan in S. 242 are both employment subsidies paid to employers for hiring individuals who have exhausted their unemployment benefits.

A comparison of the two proposals illustrates an important point: Tax credit programs can be designed to be virtually identical to cash expenditure programs in terms of eligibility, dollar amount of benefit, and program administration. Thus, the main differences between the two forms of government assistance, in this case, are (1) the delivery mechanism for the subsidy, and (2) the combined responsibility for tax credits across Congressional committees and Executive Departments.

Comparison of Budget Cost with Tax Credit and Cash Programs. Before discussing the advantages and disadvantages of using the tax system to deliver the employment subsidy, I should address the issue of the relative budget cost of tax subsidies. Normal government accounting procedures make it appear that a direct expenditure program will cost more than an identical program which is provided with tax credits. This difference is illusory. The budget cost of an employment subsidy will be the same whether it is provided to employers as a tax credit or as a direct expenditure.

Revenue loss estimates are calculated net of any revenue offset, while budget estimates are typically reported gross of any revenue offset. For instance, the revenue loss from the Targeted Jobs Tax Credit (TJTC) is calculated with a revenue offset because employers must reduce the amount of wage deductions by the amount of credit earned. The reduced wage deduction is required to prevent employers from deducting the portion of wages paid by the government and to ensure that the rate of subsidy is the same for all employers, irrespective of their marginal tax rates. The reduced wage deduction increases each participating employer's taxable income and tax liability. This increase in income tax liabilities is assumed to be a net increase in tax receipts which reduces the TJTC's total revenue loss.

If an employment subsidy, identical in all other ways to the TJTC, were paid as a direct expenditure, participating employers would receive cash payments from the Federal government, and thus, their taxable incomes and tax liabilities would increase. The budget cost as normally computed would be the amount of cash paid, without explicitly showing the additional tax revenue collected. Although tax credits may appear less costly than an identical direct expenditure program based on accounting methods used in the budget, the cost of a government subsidy program and the change in the budget deficit is the same, regardless of the delivery mechanism of the subsidy.

Advantages of the Proposed Job Tax Credit. The main advantage of an employment tax credit, in this particular case, is that the tax system will provide an established and efficient delivery mechanism. All employers are required to file tax returns for payment or refund of State unemployment, Federal unemployment, or Federal income tax liability. A jobs tax credit

form is already used for the Targeted Jobs Tax Credit against Federal income tax liability. By using the tax system to deliver the employment subsidy, the Labor Department can avoid setting up redundant procedures for mailing checks to employers, and thus achieve cost savings in personnel and administrative expenses.

Although any type of delivery system requires considerable administrative oversight to ensure that the subsidy is claimed only for eligible individuals and for the correct amount, the Administration believes that a non-refundable tax credit would reduce the amount of administrative oversight needed to prevent fraudulent applications. Under such a tax credit system, no employer can receive subsidies in excess of the taxes which the employer in fact owes. Thus an individual could not set up a sham company with no employees and claim the credit, because such a company would have no past or present tax liability. By contrast, under either a cash outlay program or a refundable tax credit, some additional administrative oversight would be required to prevent fraudulent claims by sham companies.

Disadvantages of Tax Credits. Several aspects of tax credits should be noted as disadvantages relative to cash outlays.

First, the use of non-refundable tax credits often limits the subsidy to profitable private companies and reduces the value of the incentive. For example, other employment tax credits and tax credits for other social objectives have been restricted to the taxpayer's Federal income tax liability. This has limited eligibility for the program to private employers and excluded tax-exempt and governmental organizations from participation (even though they employed approximately 22 percent of all wage and salary workers in 1982). In addition, employers who did not have sufficient Federal income tax liability in the current year (or the prior three years for the carryback) could not claim the full amount of the credit in the current year, thus reducing the present value of the incentive and creating uncertainty as to whether the full amount of the credit would ever be realized.

The Administration's proposed employment tax credit minimizes this problem while retaining the desirable features of a non-refundable tax credit. The proposed jobs tax credit is tied to the unemployment insurance system as both a complement and substitute for Federal Supplemental Compensation benefits, so it is logical to allow the credit against both State and Federal unemployment taxes and Federal income taxes. Virtually all firms will be able to claim the full amount of the credit in the year earned when used against three different tax liabilities plus carrybacks against prior Federal income tax liabilities. Tax-exempt and governmental organizations will be able to apply the credit against their "reimbursible expenses" owed to the State unemployment insurance system. Since the jobs credit program is a one-year program, no employer will build up a large inventory of unusable credits.

A second criticism of any provision of subsidies through the tax system is based upon the fragmentation of what would otherwise be unified decisions made during program administration and in the budget process. The division of responsibility in both the Legislative and Executive branches tends to fragment what otherwise would be unified decisions. For instance, in determining the mix of employment programs, the labor oversight committees should weigh the merits of both cash outlay and jobs tax credit programs. The Labor and Treasury Departments are working together to minimize any fragmentation of responsibilities for program administration of the proposed jobs tax credit.

Complexity of a Targeted Employment Subsidy. It could be argued that an additional employment tax credit program needlessly increases the complexity of the tax system. However, any employment subsidy program will increase the amount of interaction between business and government. There is no reason to expect that providing a subsidy through the tax system will increase the total amount of complexity involved with otherwise identical government programs.

Whichever side of the budget the program is on, there will be additional complexity because the proposed employment program itself is quite complex. In order to target the employment program to those individuals most in need of government assistance, both proposals require complex eligibility criteria that will involve government certification of eligible individuals. This certification, as well as other administrative responsibilities, is correctly placed with the Labor Department. The Internal Revenue Service does not have the resources or expertise to perform the necessary oversight.

The Tradeoff. The choice between an employment tax credit and a cash voucher program involves a trade-off between the cost savings of a more efficient delivery system and the fragmentation of responsibility for appropriations, oversight, and administration. The proposed employment tax credit is unique both because of its integration with the unemployment insurance system and because of its temporary nature. Thus, many of the disadvantages of other non-refundable tax credits are minimized with this particular tax credit proposal.

For the above reasons, the Administration chooses to provide the employment subsidy through the tax system, but with administration by the Labor Department. I believe, in this unique case, the cost savings from a single efficient delivery system outweigh the disadvantages of overlapping responsibilities among Congressional committees and Executive departments.

Amount of Employment Incentives

S. 242 provides a voucher that will be equal to 75 percent of a worker's remaining or potential FSC benefits. By contrast, the Administration's proposal sets the voucher amount at 100 percent of the remaining or potential FSC benefits.

I understand that the lower benefit amount in S. 242 was selected to achieve some cost savings relative to a simple extension of the FSC program. Approximately 85 percent of potential FSC benefits are paid because many workers find employment prior to the exhaustion of FSC benefits. Limiting the voucher amount to 75 percent of potential benefits would, therefore, reduce total program costs. The Administration's proposal achieves similar cost savings by limiting program eligibility. The Administration proposes limiting the extension of the FSC program to individuals who have worked for 30 or more weeks prior to their eligibility and who did not voluntarily quit their employment. Equivalent cost savings can be achieved by either method. The Administration's proposed tightening of FSC eligibility is intended to target government assistance during a period of fiscal austerity to individuals who became unemployed involuntarily.

In contrast with S. 242, the Administration's proposal is designed to keep unchanged the FSC benefit level available to the eligible unemployed, while providing benefits in a manner that places individuals in jobs. It should be remembered that a smaller benefit per worker reduces the incentive for employers to participate in the program. Experience with the Targeted Jobs Tax Credit suggests that very little participation may occur if employers are not provided sufficient incentive to overcome both their costs of participating in the program and their reluctance to change their existing pattern of hiring. For roughly the same total budget cost, the Administration's proposal in the Employment Act of 1983 provides one-third more incentive per worker than the subsidy in S. 242.

Thank you for requesting our views.

Sincerely,


J. Gregory Ballentine
Deputy Assistant Secretary
(Tax Analysis)

The Honorable
Dan Quayle
U.S. Senate
Washington, D.C. 20510



ICESA

INTERSTATE CONFERENCE OF EMPLOYMENT SECURITY AGENCIES, INC.
SUITE 126, 444 NORTH CAPITOL STREET, N.W., WASHINGTON, D.C. 20001, 202/628-5588

February 23, 1983

The Honorable Dan Quayle
254 Russell Senate Office Building
Washington, D.C. 20510

Dear Senator Quayle:

The Interstate Conference of Employment Security Agencies, Inc. (ICESA) appreciates the opportunity to submit a statement concerning the Employment Opportunities Act of 1983.

If we can provide any other information please feel free to call on us.

Sincerely,

William L. Heartwell, Jr.
William L. Heartwell, Jr.
Executive Vice-President

The Interstate Conference is the organization of administrators of the unemployment compensation laws and public employment system in the 50 states, the District of Columbia, Puerto Rico and the Virgin Islands. On behalf of our membership, we appreciate the opportunity to submit our views on S.242, the "Employment Opportunities Act of 1983."

Mr. Chairman, let me first commend you and Senator Hatch for taking the lead in developing a response to the sustained high levels of unemployment that confront our nation, and especially the dislocated workers and long-term unemployed who are rapidly exhausting all available means of assistance. It is obvious that these same concerns helped guide the passage of the Job Training Partnership Act, a bill which you were also instrumental in structuring. We believe that the development in each state of a comprehensive, well coordinated, employment and training system, is a key feature of the Job Training Partnership Act and one that the Interstate Conference supported throughout the development of the legislation. The effective utilization of all participants in the employment and training community is supported by such important provisions as bottoms-up planning, a strengthened partnership with the private sector, and increased involvement in program planning and administration by the Governors. These major provisions, along with specific changes to the Wagner-Peyser Act, create a framework in the states that will provide the employment service an opportunity to effectively operate as a labor exchange, and to support such innovative approaches to solving economic problems as addressed in Title II of this bill.

In the proposed legislation before us, we are particularly supportive of your proposal to add \$100.0M to carry out the provisions of Title III of the Job Training Partnership Act, and the recognition in Title II of your bill for an employment service role in the worker certification process. We believe that our experience with the targeted Jobs Tax Credit Program (TJTC), and similar activities, more than justify our direct participation in this major effort.

We have some questions, however, about Title III of S.242 which would permit recipients of federal supplemental compensation to choose to receive 75 percent of their benefit entitlement in the form of employment vouchers which the recipient would give to his new employer to defray the cost of his employment over a ten month period. The employer would submit the vouchers at specified intervals to the state agency which would redeem them for cash.

We have three basic reservations about the concept of using wage subsidies to combat unemployment. First, we question whether any new jobs will be created as a result of the subsidy being available. Employers are likely to hire new workers, with or without a subsidy, only if there is work for them to do. If there is no market for the employer's goods or services, he is not likely to expand his workforce.

Second, there is a tremendous potential for abuse. S.242 includes provisions that are intended to prevent employers from laying off or reducing the hours of current employees and filling those jobs with workers who bring vouchers with them. The regulations, certifications

and determinations necessary to enforce these provisions would be mind boggling. For example, an employer lays off 10 workers, stating that he has no work for them to do. Two weeks later he hires 10 workers with employment vouchers to fill an order he says he has just received. Is this legitimate? Did he have the new order or know that it was on the way when he laid off the 10 employees? Whether the employer gets the vouchers or not, 10 people are still unemployed.

Third, the employment voucher would make FSC recipients more attractive than other job applicants, giving them a competitive advantage over other unemployed workers who have exhausted all benefits available to them. If the federal government wishes to influence employers' hiring decisions, it seems unfair to influence them in favor of those who still have some income rather than those who have none.

Even though we have strong reservations about using FSC benefits as wage subsidies, we would like to make some comments regarding the voucher proposal in S.242 and the one advanced by the Administration. There are some significant differences between the two. First, the Administration's proposal provides for use of the vouchers as tax credits against unemployment insurance and income taxes. S.242 provides for the vouchers to be redeemed for cash. The ability to receive the subsidy in cash would likely be more attractive to employers. Only those employers with sufficient operating funds to afford to defer the subsidy until taxes were due would be able to take advantage of the Administration's proposal.

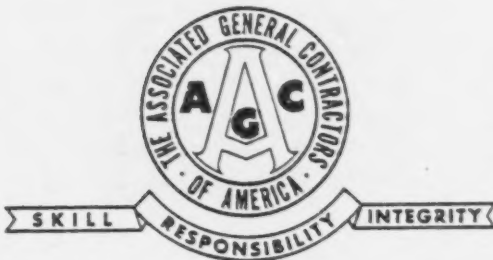
Third, there are differences in the amount of the subsidy per week of employment. The Administration's proposal allows 100 percent of the individual's FSC benefits to be paid to the employer over a period twice the number of weeks to which he is entitled. The subsidy is one half the weekly benefit amount, an average of about \$60 per week. The proposal in S.242 would make the amount of the subsidy 75 percent of the individual's entitlement. The employer could receive one quarter of that amount after employing the worker for one month for at least 30 hours per week. If the individual were entitled to the maximum number of weeks (16) at the average benefit amount of \$120, the subsidy for that first month would be \$360, or \$90 per week. At the minimum wage, this would subsidize about 90 percent of wages. If the individual were entitled to the minimum number of weeks (8) the subsidy would be \$180 for the first month or \$45 per week. The employer would receive a larger subsidy in the early part of the employment period under S.242, but 25 percent more over the long term under the Administration's proposal. It seems possible that front-loading the subsidy as S.242 does, might encourage short term hiring, and abuse.

We sincerely appreciate the opportunity to provide comments on S.242. If you have any questions concerning our positions, we will be happy to respond.

STATEMENT OF
THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA
PRESENTED TO THE
SUBCOMMITTEE ON EMPLOYMENT
AND PRODUCTIVITY
SENATE COMMITTEE ON LABOR
AND HUMAN RESOURCES

on

Jobs Creating Proposals
and
Unemployment



AGC is:

- * More than 32,000 firms including 8,500 of America's leading general contracting firms normally responsible for the employment of 3,400,000-plus employees;
- * 112 chapters nationwide;
- * More than 80% of America's contract construction of commercial buildings, highways, industrial and municipal-utility facilities;
- * Over \$100 billion of construction volume annually.

The Associated General Contractors of America and its 112 chapters nationwide is comprised of approximately 32,000 firms including 8,500 of the nation's leading general contracting companies that perform more than \$100 billion of construction annually; our member firms normally employ some 3,400,000-plus workers, a significant portion of our national labor pool.

We appreciate the opportunity to submit this statement regarding jobs creating proposals and unemployment. Our industry, more so than any other single industry, knows only too well the unemployment problems that burden our nation -- 1.2 million construction workers are presently unemployed. This represents almost 25% of the work force of the nation's largest industry. Construction currently accounts for some \$230 billion of our Gross National Product, directly employing 3.8 million people, and indirectly employing an additional 16 million people in construction supply industries such as cement, glass and steel, insurance, architecture and engineering. However, unlike the recent past, when construction accounted for 10 percent of the Gross National Product (GNP), today's level represents less than 8 percent of the GNP and a sharp drop in the number of people at work on construction sites. We are of the belief that the industry's declining share of GNP is directly related to our nation's current economic concerns.

Labor Intensity

Relief for the unemployed is obviously a complicated issue. There are a multitude of choices and each has a different potential impact on the employed, unemployed, the deficit, and the nation's economy. We have hopefully learned, that relief aimed at removing individuals from the unemployment rolls is only a temporary resolution. The best alternative is to develop programs that provides opportunities for the unemployed to work at jobs which fulfill a legitimate and lasting need within our industrial framework.

Any examination of jobs creating proposals should always conform to the axiom that the most cost effective alternatives should be the most attractive. We realize that a labor intensive approach is generally recognized as a measure of an industry's ability to employ maximum numbers of workers. We believe that the concept of labor intensity is key to any jobs creating proposals. However, an industry's ability to generate jobs internally as well as other industries should be the overriding criteria any jobs creating proposals. The type of industry which can generate this multiplier effect could employ not only individuals within that industry but also create a series of jobs in related industries. In this respect, the products and service consuming construction by contract industry has the greatest potential to accomplish the objective in a cost effective manner.

The critical concept here is that job stimulation in the right industry can create several jobs in other related industries. The greatest cost-effective, result, occurs not simply when an employer's salary dollar creates a job, but when a job creates the necessity for other jobs within the economy.

A very concrete example of the significance of an industry's multiplier effect in relation to job creation, is construction by contract. Tables 1 & 2 are recently published Bureau of Labor Statistics data which clearly demonstrates the products consuming nature of the construction industry. As Chart #1 illustrates, construction generates more direct and induced jobs within the economy per dollar spent, than such industries as manufacturing, communications, mining and transportation and many others. When total expenditures are considered, the amount of spending and capacity to generate jobs within construction creates a most favorable jobs creating climate.

That same logic applies to potential annual cost savings and generated revenue from increased social security benefits, increased federal income tax, and reduced unemployment to be gained from

stimulating the construction industry. As an illustration, Table #3 describes the annaul savings and generated revenue from an infrastructure rebuilding program of \$61.6 billion. It clearly indicates that construction jobs create income which generates tax revenues and reduces public assistance.

Jobs and Infrastructure Needs

It is estimated, on a very conservative basis, that a construction program to meet the infrastructure needs of the United States would result in the employment of 650,000 onsite construction workers annually, with another 843,000 jobs created offsite within the construction industry and in manufacturing and service supply industries. A majority of these jobs can be filled by currently unemployed workers, and with that stimulus many additional individuals will have the opportunity to be added to the workforce, especially when economic recovery provides more positions within the industry. These conservative estimates are based upon identified requirements for infrastructure rebuilding of \$61.6 billion per year sustained for five years, with some programs projected to extend for 20 years.

Infrastructure needs for highways, bridges and airports require outlays of \$28 billion per year which could generate 305,200 jobs. Congress, in passing the Surface Transportation Act of 1982, recognized the need and jobs creating ability of such programs.

There are other pressing needs. Mass transit and railroad needs require \$13.1 billion and could generate 142,790 jobs. Improvements are also needed in systems relating to water/supply distribution, dams and locks (also transportation-related) and sewage treatment. Estimates of job creation for these categories range from 51,150 for water supply/distribution projects to 61,750 for sewage treatment facilities and have a \$5-7 billion price tag. Public buildings, the other major category of infrastructure needs, requires annual expenditures of \$1.9 billion, which could

result in 18,430 jobs.

The number of potential employment opportunities associated with each type of infrastructure program is contained in Table III. These figures are based on known current needs. There are many elements of the infrastructure that have not yet been surveyed; there are constantly deteriorating components of the infrastructure, which have not yet been included and finally, and normal economic expansion has not been considered as the estimates were developed.

Our economic system depends on our ability to expand. Individual communities need to expand basic elements of the infrastructure to attract new industry. In short, the infrastructure needs of the nation are not simply long term. They are entirely open ended and constant. There is absolutely no question that rebuilding the nation is a job that must be accomplished.

Maximum Monthly Earning

With respect to any proposed legislation, we believe a broader approach needs to be applied if an earnings maximum is considered. Any reasonable limit on employee wages, must address itself to the fact that work in many industries is of a seasonal nature and that, of necessity, employees often may earn more than a monthly maximum. Also paramount in any consideration should be the broader multiplier effect. Any maximum level, if necessary, should not ignore the fact that many members of the middle class are unemployed.

Federal Supplemental Compensation (FSC) Program & Job Vouchers

The FSC system is currently set to expire on March 31, 1983. AGC prefers that the monies spend on FSC be funneled to private sector job-producing programs to rebuild America's deteriorating infrastructure. In this time of limited government resources, we believe that it is more important to fund these needs thereby creating substantial private sector employment opportunities,

than merely to continue a wage-replacement program which produces no long lasting results.

However, we also recognize that these are unusual and difficult times, and suggest that if Congress does continue the FSG program for an additional six months, a variety of measures recently recommended by the Administration to improve the operation of the system be included. Among the positive changes recommended by the Administration is the replacement of the current 5-tier approach for determining the length of FSC benefits in a given state by a more simple 3-tier approach. In addition, a 30 work-week requirement (instead of the current 20 weeks) for recipients of FSC benefits would ensure that only the most deserving individuals receive these general-revenue supported benefits. Finally, the provisions which would bar FSC benefits to those who voluntarily quit or who were fired for good cause would serve to insure that individuals do not leave their current position simply because of the availability of long term UC benefits under the FSC program.

Turning to a voucher system contained in several proposals, AGC has numerous concerns. Although several proposed voucher systems may provide benefits to employers in certain industries, it would become an administrative nightmare for industries such as the construction industry, which traditionally have experienced a high degree of employee turnover. In addition, the benefits of a voucher system would not be available to employers who had employed the individual at any time during a specified base period. In order to achieve the full benefit of the system, the employee would be required to remain on the payroll of the employer for a full year. Such proposals would severely limit any advantage construction industry employers could gain by hiring an FSC recipient given our industry's high employee mobility and turnover.

Unemployment Compensation (UC) and Structural Unemployment

While AGC perceives many administrative problems in applying

a voucher system to the FSC program, we recognize that utilizing FSC indirectly to support private employer training efforts, is preferable to using employer-generated unemployment compensation (UC) funds for this purpose. We would therefore oppose those elements in recommendations currently under consideration which would finance training programs directly out of employer-generated UC tax payments. We believe that using employer-generated UC taxes for training purposes is inappropriate, because (1) it would create an additional burden on the UC system at a time when its financial resources are already hard-pressed, and (2) it would incorporate into the UC system a component which is not consistent with the purpose of UC funds: the short-term supplement of wages due to cyclical unemployment.

The UC system was not designed to be a welfare system, nor was it designed to deal with problems created by structural unemployment resulting from basic changes in the nation's economy. In fact, one could argue that the experience component utilized in establishing an employer's UC tax obligations would be undermined if funds he pays are used for the training of unemployed individuals for new, alternative careers. We further believe that Congress has already enacted legislation, the Job Partnership Training Act, which provides a vehicle for such retraining.

While several suggestions have been recommended to ameliorate these problems such a plan would create (including proposals to bar debtor states from utilizing UC funds for training, and to require the establishment of a separate UC training fund), these suggestions do not overcome the basic problem of funding training programs through UC funds as outlined above.

Conclusion

We believe that a great opportunity exists to address our nation's unemployment ills without the necessity of creating a new employment program, while at the same time addressing another

national ill--the deteriorating condition of our nation's infrastructure. That opportunity exists in using established federal, state and local public works programs to 1) reverse the deterioration of our nation's infrastructure and 2) provide productive employment in the process.

The vehicles, methods and procedures of public construction programs entailing competitively bid contract construction to the private sector are already in place--they only need adequate funding to be employment effective. Let me repeat: the needs are evident. The work forces are available. All that is lacking is funding to meet both needs.

AGC believes that an effective program to deal with the nation's infrastructure needs should and can be an integral part of addressing our nation's unemployment problems. It is beyond question, and very timely today that such a program will create employment for millions of workers and stimulate the economy to recovery and growth.

America's manufacturers of steel, glass, plastics, fibers, pipe, cement, wire and paint are just some of the industries that are absolutely dependent on a vibrant goods consuming construction industry -- an industry which, with the other industries dependent on its good health, is responsible for more than 20 percent of American employment. Construction is the engine that drives the rest of our economy. When the construction industry is provided with the funding stimulus it needs, and which government at all levels must provide or risk the total disintegration of our public facilities, the construction industry will lead America to real economic recovery.

TABLE 1

Percent distribution of construction contract costs, all construction studies, 1958-78

Type of construction and year	Total contract costs	On-site wages and salaries	Materials, supplies, and equipment	Construction equipment	Overhead and profit
Commercial office buildings					
1972	100.0	26.7	42.2	2.7	28.4
Elementary and secondary schools					
1972	100.0	28.2	44.4	2.1	25.3
1965	100.0	25.8	54.2	1.0	19.0
1959	100.0	26.7	54.1	1.4	17.8
Federally aided highways					
1976	100.0	23.6	46.7	1.7	28.0
1956	100.0	23.9	50.6	1.7	23.8
Federal office buildings					
1976	100.0	23.8	42.5	2.9	29.8
1973	100.0	34.0	50.0	1.1	15.0
1959	100.0	29.0	51.3	1.9	17.8
College housing					
1972	100.0	35.0	51.1	1.4	13.5
1961	100.0	29.3	52.6	1.6	16.5
Civil works, total					
1972	100.0	26.0	29.0	22.0	23.0
1960	100.0	29.1	26.2	22.1	22.6
Land projects					
1972	100.0	25.0	32.0	20.0	24.0
1960	100.0	26.0	35.0	19.3	19.7
Dredging projects					
1972	100.0	30.0	24.0	28.0	18.0
1960	100.0	32.3	17.3	24.9	25.5
Sewer works, total					
1971	100.0	24.7	40.7	11.5	23.1
1963	100.0	25.3	46.6	9.9	18.2
Lines					
1971	100.0	24.3	35.2	16.7	23.8
1963	100.0	24.3	44.5	11.2	20.0
Plants					
1971	100.0	25.2	47.0	5.6	22.2
1963	100.0	26.6	49.2	6.2	18.0
Private multifamily housing					
1971	100.0	27.9	44.2	3.0	24.9
Private single-family housing					
1969 ¹	100.0	20.4	43.4	9	26.3
1962 ²	100.0	22.1	47.2	1.0	29.7
Public housing					
1975 ³	100.0	32.7	48.7	4.4	14.2
1965	100.0	32.4	41.9	1.5	24.2
1960	100.0	35.5	45.0	2.5	17.0
General hospitals					
1966	100.0	29.6	50.4	1.3	18.7
1960	100.0	28.2	53.2	1.2	17.4
Nursing homes					
1966 ⁴	100.0	26.7	53.7	1.0	18.6

¹ Includes office wages, fringe benefits, construction financing costs, inventory, and other overhead and administrative expenses as well as profit.

² Equipment included with overhead and profit.

³ Estimated.

⁴ Equipment included in materials.

⁵ Includes selling expenses.

⁶ Estimated. Based on case study.

NOTE: Deter may not add to totals due to rounding.

Source: Labor And Materials Requirements For Federal Building Construction, U.S. Department of Labor, Bureau of Labor Statistics, January 1983.

TABLE 2

Percent distribution of cost of materials, supplies, and equipment by product group, all construction studies, 1958-76

Type of construction and year	Total materials, supplies, and equipment	Mining and quarrying products of non-metallic minerals except fuel	Lumber and wood products except furniture	Furniture and fixtures	Chemical and allied products	Petroleum refining and related products	Stone, clay, glass, and concrete products	Primary metal products	Fabricated metal products	Machinery except electrical	Electrical and electronic machinery, equipment, and supplies	Construction equipment, rental, and depreciation	Materials and supplies, n.s.c.
Commercial office buildings 1974	100.00	0.67	7.55	0.42	0.99	1.98	23.90	12.55	22.21	11.43	7.62	5.99	4.69
Federal office buildings 1958	100.00	4.1	3.31	34	1.03	88	21.60	7.32	32.81	6.91	18.20	3.59	3.61
1972	100.00	(²)	(²)	(²)	(²)	(²)	(²)	(²)	(²)	(²)	(²)	(²)	(²)
1976	100.00	46	2.31	41	1.10	1.11	22.61	20.82	19.33	10.65	10.11	6.52	4.56
Elementary and secondary schools 1958	100.00	50	9.90	1.50	1.41	2.02	24.99	13.07	26.78	2.47	9.27	4.04	3.74
1962	100.00	62	9.13	2.90	96	2.27	24.67	11.68	24.41	5.30	8.78	4.45	3.83
1972	100.00	85	6.09	3.67	1.41	1.72	20.15	11.03	24.06	7.71	12.32	4.52	6.47
Private multi-family housing 1971	100.00	1.34	16.67	3.89	2.21	1.74	22.12	8.85	15.59	3.72	9.36	6.51	6.00
Private single-family housing 1962	100.00	79	40.05	-	2.22	2.30	23.58	5.50	14.60	46	6.49	2.03	1.99
1966	100.00	89	37.40	3.26	1.82	1.80	21.33	5.05	12.90	1.90	6.77	2.00	4.87
Public housing 1960	100.00	80	14.10	30	1.80	1.70	27.10	8.00	26.50	2.30	8.40	5.30	1.80
1966	100.00	80	14.40	30	2.00	2.20	24.70	9.20	27.20	2.50	11.30	3.50	1.80
1972	100.00	(²)	(²)	(²)	(²)	(²)	(²)	(²)	(²)	(²)	(²)	(²)	(²)
General hospitals 1962	100.00	42	4.16	.86	81	97	18.98	6.82	35.05	8.48	15.60	2.06	5.89
1966	100.00	51	4.66	.44	77	80	18.40	8.61	31.11	12.11	15.62	2.50	4.47
Nursing homes 1966 ³	100.00	53	9.06	27	1.24	1.82	20.16	6.23	33.32	11.03	10.78	2.15	3.41
College housing 1961	100.00	76	10.67	1.70	1.18	1.05	25.78	6.11	33.90	2.92	11.36	2.94	1.62
1972	100.00	(²)	(²)	(²)	(²)	(²)	(²)	(²)	(²)	(²)	(²)	(²)	(²)
Federally aided highways 1958	100.00	11.34	1.76	-	80	17.09	16.77	-	19.48	-	-	(²)	32.75
1976	100.00	12.42	85	-	97	17.58	14.04	-	21.22	-	-	(²)	32.92
Civil works Land projects 1960	100.00	17.46	4.15	-	3.87	12.65	9.09	1.33	13.20	59	24	35.39	2.05
1972	100.00	(²)	(²)	(²)	(²)	(²)	(²)	(²)	(²)	(²)	(²)	(²)	(²)
Dredging projects 1960	100.00	-	-	-	3.93	28.07	-	-	1.49	1.40	-	58.98	6.13
1972	100.00	(²)	(²)	(²)	(²)	(²)	(²)	(²)	(²)	(²)	(²)	(²)	(²)
Seaports Lanes 1962	100.00	4.65	79	-	36	3.02	55.87	8.79	2.39	3.02	74	20.19	20
1971	100.00	3.43	1.53	-	1.14	4.82	40.77	7.38	2.20	4.48	1.03	32.22	1.00
Farms 1962	100.00	2.27	1.64	-	96	1.85	16.78	14.48	13.16	22.34	9.51	14.25	2.75
1971	100.00	1.11	2.46	22	87	1.25	15.62	11.22	13.87	33.51	6.72	10.59	2.54

Includes various other building features except for Federally aided highways, private office buildings, elementary and secondary schools (1971), and single-family and multi-family housing.

² Not available.

³ Construction equipment estimate included in materials and supplies, n.s.c.

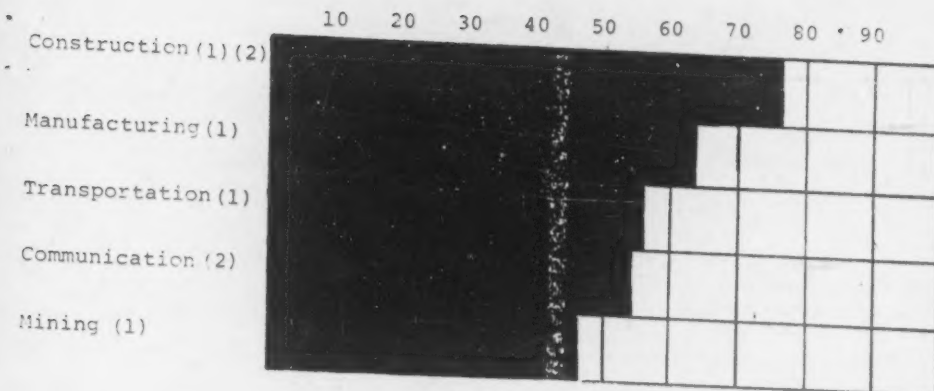
⁴ Based on case study.

NOTE: Detail may not add to totals due to rounding. Dash denotes that the survey had no sample projects in this cell.

Source: Labor And Materials Requirements For Federal Building Construction, U.S. Department of Labor, Bureau of Labor Statistics, January 1983.

CHART #1

Industry Comparison
of
Jobs Creation Impact
For
\$1,000,000 in Expenditure



- (1) Median Comparison
(2) Average Comparison

Chart is based on unpublished Bureau of Labor Statistics Data (Office of Economic Growth). Takes into account Direct, Indirect and Induced jobs, and was measured in 1972 dollars and modified to consider industry productivity increases or decreases.

TABLE III
POTENTIAL ANNUAL COST SAVINGS AND
REVENUE GENERATED
from
Infrastructure Rebuilding Program

	On-Site Craft Jobs	Off-Site Construction & Other Industries	Total
Increased Social Security Payments	\$1,651,000,000	\$1,514,000,000	\$3,165,000,000
Increased Federal Income Tax	\$1,603,000,000	\$1,470,000,000	\$3,073,000,000
Reduced Unemployment Compensation Payments	\$1,153,000,000	\$1,329,000,000	\$2,482,000,000
TOTAL	\$4,407,000,000	\$4,313,000,00	\$8,720,000,000

Annual income used to develop the table has been estimated based upon the average hourly earnings of the mix of construction, manufacturing and transportation jobs created. These were applied to a work year of 1,900 hours. Estimated average annual income for construction workers is \$18,886 and for other workers is \$15,029.

All figures are based upon 1980 data. This was most comparable to the expenditures estimated and, in most cases, was the most current data available. It is believed that changes in the current tax structure which have the effect of lowering income tax receipts and increasing social security tax receipts would not materially effect the total revenue from these sources. Adjusting unemployment compensation payments for current dollars would increase the amount on the table an estimated 15 percent.

There are other lesser revenues that would be generated for government that have not been considered. Among these are state and local taxes, corporate income taxes at all levels, and food stamps and other forms of public assistance.

Statement of the American Federation of
State, County and Municipal Employees to the
Senate Subcommittee on Employment and
Productivity on Job Creation Proposals

February 25, 1983

The American Federation of State, County and Municipal Employees (AFSCME), representing over one million federal, state and local government employees, submits the following statement on job creating proposals before the Senate Subcommittee on Employment and Productivity.

The current consideration by the Subcommittee of measures to alleviate unemployment comes none too soon. Since 1979, the national unemployment rate has almost doubled. In some communities it is over 20 percent, and in some groups, such as teenagers, it is above 30 percent. More than 13 million workers are officially jobless or have dropped out of the workforce in discouragement. Millions more have seen their incomes reduced by reductions in hours of work.

Joblessness has become a personal and national tragedy. It has destroyed both the economic and social stability of millions of Americans. It has robbed workers of the ability to feed, clothe, and house themselves and their families, and has deprived them of their self-confidence and their self-respect.

The human hardship and suffering that unemployment brings is being documented almost daily in newspaper reports across the country and in Congressional testimony. It can be seen at D.C. General Hospital where 5,038 more people resorted to its emergency room and outpatient clinics in 1981 than in 1980. It can be seen at a shelter for battered women in Peoria, where the percentage of women whose husbands were unemployed jumped from 33 percent to 70 percent after a local brewery closed. There have been increases in child abuse and neglect corresponding to increases in unemployment in Wisconsin counties. Infant mortality rates have increased in Baltimore neighborhoods with high unemployment. Soup kitchens are proliferating across the country and, until recently, Texas' tent city was a painful reminder of the desperate plight of many families.

Unemployment not only has destroyed the self-sufficiency and dignity of millions of Americans. It also is depriving state and local governments of the revenues necessary to help the jobless, and their problems have been compounded by a federal policy of cutbacks in assistance to state and local governments.

Nowhere is this problem greater than in the state of Michigan, where 10,000 state jobs have been eliminated. In the Michigan State Health Department alone, \$24.2 million has been lost in federal, state and other revenue over the last 16 months while the number of unreimbursed charity cases in Michigan hospitals rose 29 percent in 1982. But the same problem on a smaller scale also exists in Mahoning County, Ohio where, over the last two years, there has been a 100 percent increase in the number of people using the Well Child and WIC clinics, while federal funds have been cut 20 percent.

Clearly our unemployment problems cannot be solved by any single program or Congressional Committee. They are much too complex for that. A bold and comprehensive package of immediate jobs and humanitarian aid for the unemployed, combined with longer-term retraining programs and other government initiatives to revitalize America's industry and infrastructure, are necessary.

In the face of such overwhelming problems and needs, the legislation before the Subcommittee on Employment and Productivity represents a modest statement of concern. We are encouraged however that both S.242, introduced by Senator Quayle, and S.493, introduced by Senator Kennedy, embrace the principle of federally-assisted jobs creation. In addition, S.493 contains important elements of a comprehensive plan, which includes not only job creation and repair of the local infrastructure, employment and training for youths and retraining for displaced workers, but also emergency services for the unemployed. Although not traditionally a part of jobs programs of the past, these emergency services would provide vitally needed resources to help individuals and families cope in the short-term with the stress and deprivation caused by unemployment. AFSCME is particularly pleased to see their inclusion in Senator Kennedy's bill, and we hope they will be retained in legislation approved by the Committee.

The legislation before the Subcommittee presents a wide diversity of ideas on how to create jobs. From AFSCME's point of view, there are several essential requirements for any public sector jobs program developed by the Subcommittee. Most important are all of the anti-substitution and labor standards provisions approved by Congress last year in the Job Training Partnership Act. Regardless of what delivery system is developed, there always will be the potential for the substitution of regular public employees by federally-funded workers as long as state and local governments have the responsibility of creating the jobs. While some substitution probably is inevitable, strong anti-displacement language is an indispensable enforcement tool for our locals to use in protecting the job security of their members.

Among the labor standards, the principle of equal pay for equal work is one of the most important. A wage cap will present problems in this regard if it is set unrealistically low. The \$1250 per month limitation in S.242 is too limiting, and may either present equal pay problems or lead to make work. This is because all of the costs associated with employment, not just wages, would have to fall within the limit. The \$10,000 federal wage contribution limit in S.493 would provide greater flexibility, but it should be indexed to recognize regional wage variations. There is adequate precedent for doing this in past public service employment programs under CETA.

Any jobs program should target funds on areas and individuals that have the greatest need. S.242 is lacking in both respects. As drafted, it offers no way to know where the money will go. S.493, in contrast, provides assurances that the funds will go to areas of high unemployment by specifying a formula for distributing a majority of the funds.

S.493 also specifically requires that most of the jobs go to the long-term unemployed. Unlike S.242, it does this by providing that 80 percent of the funds be used to hire individuals who are unemployed 15 weeks or more. The other 20 percent of the funds can be used for individuals not meeting the 15 week unemployment test. This limited flexibility can give communities in the midst of unavoidable layoffs the opportunity to take care of their own public employees. It is vitally important to prevent the inequity of civil servants being laid off as other people are being hired to do their work. It is necessary to prevent distortions in normal personnel and collective bargaining procedures and it correctly balances the equity concerns of both the long-term unemployed and the public sector workfare.

Both the Kennedy and Quayle bills present a novel approach to public sector job creation - that of providing additional employment in existing federal programs. This is an interesting concept, as long as the supplemental employment funds do not become a reason to cut back on appropriations for the federal programs. The idea has the advantage of using existing delivery systems and building on federal programs for which there presumably is significant Congressional support.

If the Subcommittee decides to pursue this concept, however, the federal programs to which the funds will be transferred should be identified in law, as they are in Senator Kennedy's bill. We do not believe that decision should be left to the Secretary of Labor, as proposed in Senator Quayle's bill.

Directing the jobs to specific federal programs would have several advantages. It may help alleviate some of the substitution problems associated with past public employment programs. To the extent that programs, such as Head Start, which are conducted primarily with federal monies are used, there will be no temptation to replace state and local funds with federal funds. Even if activities that receive substantial federal, state, and local funds are used, such targeting may help us monitor substitution problems since we will know where the jobs will go in advance.

Another advantage to specifying which federal programs should receive supplemental jobs is that it would enable the Congress to channel federal resources toward important policy objectives, such as improvement of the local infrastructure, energy conservation, and child care as proposed in the Kennedy bill. This list could be broadened to include other federal programs that can help the victims of unemployment, such as WIC, the Maternal and Child Health program, Title XX and many others.

The disadvantage of these proposals is that they may not be flexible enough for local communities to determine the mix of jobs they want to create. The proposals also would not recognize the serious erosion of local revenues and the need to stabilize state and local government revenues and employment in the midst of implementing a federally-assisted jobs program. Providing additional funds primarily through the Community Development Block Grant (CDBG) program is limited in this regard because there is a 10 percent restriction on the use of CDBG funds for public services. Economic development and urban renewal activities are the program's primary focus, and are likely to remain so. This is not to say that AFSCME opposes expanding the CDBG program. We strongly support enlarging the program because it provides important resources to improve the local infrastructure. However, CDBG's limitations should be recognized and should not become reasons to criticize the program in the future for not being an effective job creating mechanism, especially in the human services area.

For these reasons, AFSCME believes that the Subcommittee also should seriously consider the AFL-CIO's proposed community development jobs program and the Community Renewal Employment Act offered by Congressman Hawkins and Senator Cranston. The first recognizes the vast array of unmet public service needs in state and local governments by proposing to put the unemployed directly on regular state and local government payrolls without limitation on the kind of jobs created. The latter provides similar flexibility even though its major focus is on soft public works.

While AFSCME supports the idea of public sector job creation in both S.242 and S.493, we strongly oppose the unemployment insurance changes proposed in S.242. Employment vouchers are an awkward way to try to increase employment and are likely to squander precious federal funds. The proposed voucher is not large enough to influence many employers' hiring decisions, except perhaps in the lower wage industries. At best, an employer might hire someone with a voucher instead of someone without one. The result very well might be to give a competitive advantage to people with vouchers over UI exhaustees, unemployed workers on basic benefits or individuals not eligible for unemployment insurance. In addition, enforcement of the prohibitions against substitution would be virtually impossible because there would be no mechanism for monitoring employer activities.

The other proposal, that of disqualifying a worker from receiving Federal Supplemental Compensation benefits for refusing to participate in available suitable training, is based on the notion that workers do not want to improve their skills and opportunities for future employment. We simply do not believe this is true and fear that the requirement may be used to force individuals off the program and to reduce federal outlays. The problem is not the motivation of the workers; it is the lack of available resources and ways to link workers to training programs.

There are better ways to address the issue of private sector employment. One excellent method is to greatly expand funding for the displaced workers program which can address the major technological dislocations that have contributed to making the current recession the worst since the Great Depression. The provision in S.242 for allowing a person to continue to receive unemployment benefits while in training also is very helpful. Finally, while the additional responsibilities anticipated for the Employment Service in both bills are very good, the role of the Job Service in job counseling and job development should be expanded. These activities were decimated by Federal budget cuts from which the Job Service still has not recovered. In order to perform the functions assigned to it in both S.242 and S.493, as well as expand its counseling and job development activities, the Employment Service must receive additional funds to at least restore it to its level before the budget cuts.

In conclusion, AFSCME applauds the initiative taken by the Subcommittee on Employment and Productivity to respond to America's number one social and economic problem. While the funding proposed in all of the bills falls far short of what is needed to start the country back on the road to recovery, the substance of

the proposals before the Committee represent commendable diversity. They offer the possibility of developing a fairly broad and comprehensive program which possibly might blend several of the proposed public sector job creation strategies. AFSCME strongly urges the Subcommittee to move forward in developing such a plan. We can think of no more necessary endeavor at this moment than one which will provide emergency aid to the unemployed and productive and meaningful jobs that generate tax dollars, produce useful work and stimulate local economies.



1983 MAR -1 PM 9:05

February 15, 1983

Senator Dan Quayle
United States Senate
253 Senate Office Building
Washington, DC 20510

Dear Senator Quayle:

I would like to thank you for the opportunity to present my views on Federal job creation programs before your Subcommittee on Employment and Productivity on January 12, 1983. I was pleased to receive a copy of the Quayle Employment Opportunities Program, and am happy to provide you with my comments concerning the same.

By and large, I would like to compliment you and your subcommittee staff for developing a logical and basically workable proposal. As you might well imagine, I do have some specific comments concerning the various elements of the Bill. If I may, I would like to take the four major points in reverse order.

Procurement Component

It is my considered opinion that this component of the legislation could very well have the most direct effect on unemployment in labor-surplus areas. It clearly meets all of the planning parameters that I covered in my testimony. By using procurement contracts, the Federal government is able to carry on already scheduled business, involve the private sector without placing a burden on them, stimulate economic growth in an area that has a labor-surplus, and does not breed dependence. I heartily applaud this component as a well thought out and sound approach to the problem. It appears to have the best chance at effecting unemployment and providing a natural economic stimulus.

Displaced Workers Component

As might well be anticipated, I was pleased to see provisions for the retraining of dislocated workers. There is strength in the fact that the approach is multifaceted. That allows for the flexibility and should impact a variety of different kinds of situations that dislocated workers find themselves in. There are however, two areas of concern in terms of implementation of these various components of the proposal.

1. At the moment, it is taking six to eight weeks for a Pell grant application to be processed. The new provisions will increase the number significantly. I hope that in this particular instance, the congress recognizes that there will need to be provisions made for the manpower necessary to handle the increased work load. If not, then it will cause a backlog and it will add significantly to the waiting time for certification. This is time that the potential trainee's dependent upon support systems within our economy, and it is time that could be spent in training. If we are not careful, we could end up being penny wise and pound foolish in this particular instance.

2. Provision number 8 requiring participation is inconsistent with the rest of the legislation. There are precious few training dollars and a multitude of dislocated workers, it seems counterproductive at best to be strongarming the unmotivated into training opportunities. It takes very little projection to see that there will be those who will "take up a seat" in a training program in order to protect their benefits. That seat could be taken by someone who is motivated and will be more likely to be successful once the training is completed. In our experience with the pilot program for dislocated workers here in Northwest Indiana, we have seen a high level of motivation. Response from survey mailing is showing an extraordinary high rate of return, appointments are rarely missed, and most of the dislocated workers although somewhat threatened by "going back to school after so long" are willing to try and grateful for the opportunity. Those unmotivated individuals need not be the concern for this legislation, and more important they should not consume the training dollars that are better spent on the motivated individuals.

Voucher Component

This idea held great appeal when it was presented in the January 12, 1983 hearing. It makes more sense than the tax credit program that has proven cumbersome and tends not to be used by employers. In the past few weeks I have been asking employers how they felt about this provision of the legislation. The response has been favorable and many employers, especially small to medium level employers, tend to say that they would find this a reasonable motivation to enlarging their work force in uncertain times. There was one consideration raised. Does this apply to the laid off worker that might be recalled by an employer? As we know, many of our workers are laid off from major industries. A voucher system could make callback more feasible. This a point worth considering in light of the large reservoir of jobs in major industries.

Federally Assisted Labor Intensive Program Component

The wording in this component brings many questions to mind. The concern is that is it comprised of primarily service based public works. In your press release you spoke of the day care center staffing and health services. If the thrust of the bill is to be service based public works then I must question the basic workability of the bill. I understand that the funding is intended to last for a one year period of time and perhaps the inference is that people will not become dependent upon services that they know will only be in existence for one year. It would seem that we are dealing with the same kind of thinking that surfaced during the time that it was hoped that service based public works of the PSE nature would actually serve as seed money in that the service would be offered for a year and then it would be hoped that "somehow" the service cost would be "picked up" by another source of funding. If I am a working mother in need of child care for my children in order to be able to maintain employment and I am offered a chance to take advantage of day care center services for a year, I probably will. In that year I don't have to worry about my children's care. But at the same time, become dependent upon that service. In this instance it is directly tied to my ability to provide financial support for my family's subsistence. When services are removed after a year, what do I do? I still need to work. It is unlikely that I am earning sufficiently more money that I can afford services that I could not afford the year before. It is unlikely that new services have sprung up out of no where that I might be able to afford. What do I do now? Quit my job, go on welfare? How has the system helped me? It would be parallel with health services. People are not going to only need health services for one year and it is unlikely that significant changes will take place that will enable them to afford providing those same services for themselves after the year is over.

The sad truth of the matter is that as worthy as these services may be, as crying the need--we do not do people a favor by artificially maintaining support services that we plan to take away from them in a specified period of time. If they are important enough to be maintained, then we should maintain them. Let us not pretend to use these services to attack the unemployment problem. For one thing a former millwright in a steelmill is not going to be hired by that day care center and a machinist is not going to get that job in the health care facility. Development of service based public works will not provide an adequate match up between the unemployed, either cyclically or dislocated, and the jobs that are being created. Once again I ask you to focus on purpose. What are we trying to do with this piece of legislation? What have been the mistakes of the past? How do we avoid duplicating those errors? Please indulge my reiterating the planning parameters.

1. The system must be clear about who is to be impacted and why.
2. The system must build from a strength not from weakness.
3. The system must have a clearly stated purpose.
4. THE SYSTEM MUST BE PROJECT ORIENTED.
5. The system must not be a product of legislation by example.
6. THE SYSTEM MUST NOT ARTIFICALLY SUPPORT SERVICE SYSTEMS.
7. The system should contain incentives.

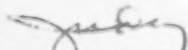
It is easy to criticize and vital to follow the criticism with alternative suggestions. I can understand and appreciate the need to use existing federally financed labor-intensive programs that would not require a new bureaucracy. I also understand the effect new regulations and policies would have on implementation time. However, just as the bill provides goals be set for procurement contracts, it is not possible to set goals relating to the additionally authorized funds be spent in project oriented existing labor-intensive programs? If this were possible, we would begin to eliminate some of the ills of service related public works and begin to realize some of the benefits of project related public works.

There is a second consideration and a second suggestion. One of the issues with this jobs creation legislation and past jobs creation legislation is the time from inception to productive implementation. If we review the history of such legislation since the 1930's we see that we have not been able to create the system needed to respond quickly enough to the situation. It is also true that we have faced this problem each and every decade since the 30's. Shouldn't that tell us that we need to design, enact and maintain a system for the future? I understand the political danger in saying that there is a probability that we will find ourselves in hard times again. The thought of admitting that we will face future recessions is almost admitting that we do not know how to effectively manage an economy. Perhaps we can look to preventative planning as an alternative means of viewing this situation. Isn't the Federal Reserve System a form of this country recognizing that there is flux in any economy and we must plan for that flux? Don't we have many systems in place that in fact plan for flux in our economy? I feel it is time to consider putting in place a system whereby the Federal Government can respond to high unemployment and it's resulting effect on the economy removed from the issues as start up time.

It is time to develop a reasonable and workable system and then put it in place so that we do not have to try to hold back the sea by sticking our fingers in the dike. I feel such a measure should be in addition to the legislative effort already put forth. The limitations now being put on the congress by virtue of the fact that we need to respond mid-crisis should help to support the need for such legislative long term planning. Then we need never concern ourselves with the fear that in expediency we might be creating a monster.

Please keep in mind that you are a policy setter. That is all the more reason why it is vital that you look at the structure of the policy that you set. Of all people, you must be clear in purpose, you must understand the planning process and adhere to its sound principles, you must learn from the past mistakes, and you must have the courage to design a sound policy not just one that is politically expedient. I know that I ask a lot, but I also know that you are capable of a lot. It would have been easy to duplicate the mistakes of CETA but you worked and fought hard to maintain the integrity of JTPA. And you did it! It would be easy to throw money at the problem of unemployment and be a hero. I ask you now to once again work and fight for the integrity of this piece of legislation. The example in my January testimony concerning the neighborhoods was a real example. I can take you to these neighborhoods, I can literally show you the contrast between service based public works and project based public works. It was not rhetoric it was meant to demonstrate that what you set as policy does indeed effect peoples lives. Please, let that effect be for the better. You have the choice.

Sincerely,



Judith E. A. Sheets
Indiana Vocational Technical
College
1440 East 35th Avenue
Gary, Indiana 46409

kd

cc Bob Guttman



San Francisco Renaissance

Providing Privately Funded
Employment & Training
for San Francisco's Youth

Board of Directors

William Russell-Shapiro
President

Walter Johnson
Vice President

Bernard Averbach

Paula Blackwell

Richard Blum

Benjamin Caruso

Shih-uo Chen

Joe Driscoll

William D. Evers

Diane Garrett

Gail Goldman

Mark Haynes

David Heibron

Hon. Leland Lazarus

Louis Hop Lee

Cyril Magnin

Dan Martinez

Larry Miller

Howard Nemerovski

Deborah Petre

John F. Rothmann

Roger Scott

Richard Sklar

William H. Svobek

Leo Sykes

Alicia Wang

Staff Directors

Michael Bernick

Executive Director

Jay A. Jones

Assistant Director

(415) 262-9990
2390 Mission St., Suite 206
San Francisco, CA 94110
A Non-Profit Organization

THE DEVELOPMENT OF A JOB PROGRAM

Submitted as Testimony for the Subcommittee
on Employment and Productivity, U.S. Senate, February, 1983

BY

Michael Bernick
SAN FRANCISCO RENAISSANCE
Employment & Economic Development

February, 1983

TESTIMONY ON A JOBS BILL
Subcommittee on Employment & Productivity

Mike Beraick

San Francisco Renaissance is a community job training organization in the Mission District of San Francisco. We work with unemployed, inner-city young persons, primarily 16-24 years of age, who are outside of the steady labor market, and seek to add them into steady jobs.

Until recently, we were not strong proponents of a job creation program. However, our experiences over the past year-and-a-half have convinced us that such a program is needed during the present time and other times when unemployment climbs over 7%. We think that the present challenge is to design a job creation program that can employ a large number of persons, employ them productively, and avoid the problems that undermined Public Service Employment.

The following is a brief summary of our ideas on job creation. It indicates some of the experiences that have led us to support a jobs bill, the problems that we saw with job creation under Public Service Employment, and how a new jobs program can be improved through greater provision for public works projects; oversight by a committee of private sector managers; and an intensive and targeted training component.



Employment & Economic Development
San Francisco Renaissance

Providing Training & Support
for the Unemployed & Underemployed

Board of Directors

William Rosendo Shapiro
President
Walter Johnson
Vice-President
Bernard Weerbach
Paula Backwell
Richard Blum
Bernardo Carrasco
Shih-wei Chen
Joe Descoli
William D. Evers
Diane Garrett
Gail Goldman
Mark Haynes
David Heilbron
Hon. Leland Lazarus
Louis Hop Lee
Cyril Magnin
Dan Martinez
Larry Miller
Howard Nemerovski
Deborah Petric
John F. Rothmann
Roger Scott
Richard Sklar
William H. Svabek
Leo Sykes
Alicia Wang

Staff Directors

Michael Bernick
Executive Director
Jay A. Jones
Associate Director

(415) 262-0990
2990 Mission St., Suite 206
San Francisco, CA 94110
A Non-Profit Organization

II. San Francisco Renaissance as a Job Training and Economic Development Organization

First a word about San Francisco Renaissance.

Renaissance was started in 1979, by a group of San Franciscans in business and labor. Its goal was to reduce inner-city unemployment; and for the first two and a half years it served as a volunteer organization to help unemployed San Franciscans move into job training or jobs. Early in 1982, Jay Jones, Silvia Ramirez and I left our jobs downtown to operate Renaissance full-time, to develop new structures of job training and job creations.

Renaissance currently has a staff of 16, distributed in three main programs: 1) training courses; 2) businesses to create jobs and provide funds for training, and 3) job-generating activities.

The training courses are in five fields: 1) personal computer technician; 2) office machine technician; 3) microwave technician; 4) telecommunications technician; and 5) literacy upgrading. Each of the technician training courses are tied to job placements, while the literacy training is tied to further vocational training.

Renaissance currently operates two businesses, in carpet cleaning and cable assembly, and is near to starting a third business in messenger service. These businesses generate 5-10 jobs each, as well as income, so that Renaissance training is not dependent on government funding.

Renaissance also is generating jobs through its "Jobs for Youth Network". The Network puts into practice President Reagan's

idea of each business hiring one additional worker. It seeks part-time and full-time jobs for young persons, 18-28, who are willing to combine work with literacy or vocational training.

Finally, Renaissance is developing a Research Center. The Center will focus on issues of employment and economic development, and serve as a training ground for young social scientists.

III. Why Our Experiences Have Led Us to Support a Jobs Program

In our training programs, we have been able to obtain placements for our trainees -- but just barely. We contact nine or ten employers, to find one potential opening. Even though we are able to offer not only trained technicians, but also tax credits and subsidy for on-the-job instruction, few employers are interested. We have succeeded, but only through great persistence. The jobs are just not there in sizable numbers, even in the high-tech fields.

In his recent budget presentation, President Reagan proposed combating unemployment by focusing on job training, especially training in the high-tech jobs. But the present training programs in these jobs are exhausting the job openings. Additional training funds, without additional jobs, will result only in job developers chasing non-existent positions.

Nor will the new job training structure under the Jobs Training and Partnership Act (JTPA) change the situation. The JTPA structure will encourage greater business participation in the planning of training, and this will be an improvement. But it will not change the present shortage of jobs.

Only a job creation program can do this.

IV. Design of a Jobs Program

A. Problems with Public Service Employment

In the mid and late seventies, job creation was tried under Public Service Employment (PSE). A few comments should be made about the performance of PSE, as there has been such disagreement. These comments are taken primarily from a study of PSE, included in my forthcoming book, The Dreams of Jobs. The book traces the lives of persons who went through job training programs in the sixties and seventies.

PSE had a number of goals in 1. putting persons to work quickly, and especially employing persons with greatest employment difficulties; 2. providing valuable public services; and 3. transitioning participants into unsubsidized jobs. The problems with PSE arose in part as these goals conflicted, in part as some of the projects were not reviewed carefully enough, and in part as there were great obstacles to the use of construction work.

In San Francisco, over 19,000 persons were enrolled in PSE jobs between 1975 and 1981. Approximately 20% of the jobs were laborer positions (street sweeper, part maintenance worker) and another 29% were clerical positions (clerk, clerk typists, secretary). These participants generally worked alongside other workers, and performed similar services. This process had the beneficial effect of ensuring that the jobs were not the oft-disorganized, oft-idle jobs that characterized the previous public sector job creation of the Neighborhood Youth Corps. But, it also had the effect of reducing the anti-unemployment value of the program. CETA workers did work that otherwise might have required additional hirings by the city. In a leading study of PSE, Professor Richard Nathan of Princeton estimated that nearly 20% of CETA jobs in San Francisco and other cities would have been filled with regular hires by the city.

There were quite a few PSE jobs that did not take away from regular hires, and that provided more imaginative social services. These jobs included care of the disturbed, elderly, lonely; and services to schools, libraries and performing arts. In San Francisco, for example, La Casa de las Madres, a shelter for battered women, was able to hire four additional staff to keep the shelter open longer hours; and Catholic Social Services used four CETA workers to work with teenagers and children separated from parents. The Pacific Medical Center had six CETA workers

to staff a center for the mentally ill. The limitation with many of these more "creative" jobs, though, was that they employed not the hard-to-employ, but mainly persons with higher education and college degrees.

The conflict between the goals of hiring hard-to-employ persons and providing valued public services was heightened by the absence of construction work. Theoretically, the hard-to-employ could have improved housing or transportation. But this work was blocked by the costs of equipment and supplies. It also was blocked by the PSE guidelines, which required that PSE construction workers be paid wages similar to those paid other construction workers, and yet also set a ceiling on wages which usually was below prevailing construction wages.

Finally, on the transition to private sector jobs, neither the "creative" jobs nor the clerical/laborer jobs had much success. Of the 17,997 persons who went through the PSE program in San Francisco between 1975 and 1981, only 3,564 were reported as placed in jobs upon leaving, while another 6,536 went on to additional training or the armed services. Only in the clerical jobs did participants learn skills that were applicable to private sector jobs.

B. Improving Job Creation Under a New Jobs Program

A new jobs program would include a training project designed to aid transition into subsidized jobs. But it would be a more intense and directed training component than under PSE. Additionally, a new jobs program would include oversight of job activities by a committee of private sector managers, and greater provision for public-works projects.

1. Greater Provision for Public-Works Projects

Many of the most useful, and lasting projects that came out of the WPA were public works projects. These included the construction or improvement of bridges, libraries, and many public buildings. Under a new jobs program, similar construction and improvement could take place, and should do so.

None of the impediments to public works under PSE is insurmountable. The cost of a construction job (primarily the costs of equipment and machinery) is greater than the cost of an additional social work or gardening job. But the purchase of such equipment and machinery should help spur these industries (presently hard-hit by the recession) to recovery.

The conflict between wage ceilings (which a jobs program needs to set for equity and maximizing employment) and

Davis-Bacon considerations, should be resolvable -- especially as many of the construction jobs will go to unemployed construction workers. Resolution is especially likely, if the local unions are involved.

The achievement of such resolution has been the experience of a construction program sponsored by Public/Private Ventures of Philadelphia. The program hires unemployed inner-city residents, primarily welfare recipients, to work on construction projects and train as apprentices (under union members). In San Francisco, unemployed residents of housing projects are renovating unoccupied units in these projects, under the guidance of union workers. Public/Private Ventures worked with the local unions to set a wage scale.

2. Oversight by a Committee of Private Sector Managers

As noted above, many of the PSE jobs were clerical and maintenance jobs working alongside other city workers. These jobs provide steady (if unspectacular) services. However, there were jobs, especially ones located at non-profit advocacy groups, that were of more questionable social utility -- at least as far as being supported by public funds.

To ensure that all jobs do provide services, job requests by city agencies and non-profit organizations should be reviewed by a committee of private sector managers. The appointment of the committee should be placed under the local chamber of commerce, or another local business organization, to provide some removal from local politics.

The committee should not include the senior officials who occupy many committees, but who have little time to spend on committee work. Rather, it should include more mid-level managers who can devote attention to this work. They should review job requests, and also make site-visits to observe job performances.

This committee should have value also in assuring the public that the jobs created have value. Perhaps a more important factor in bringing down PSE than the real weaknesses of the program, was the perception that the jobs did not have value.

3. Intensive and Targeted Training Component

Though providing valuable public services should be the main goal of a jobs program, there also should be a training component. This should be a literacy and vocational training, directed at those low-income young adults, 16-21

years of age, who lack the skills needed for the emerging jobs, especially the jobs emerging in the urban labor markets. They should work part-time and go to school part-time.

In the distribution of jobs, priority should be given to heads of households. Most of the low income young adults, 16-21, will not qualify as such. For them, though, there should be a special program of part-time jobs, 20 hours a week. There should also be a "scholarship" program, offering "scholarship funds" for those who not only want part-time jobs, but also further literacy or vocational training.

By no means will all of the youth take advantage of this scholarship offer. Many will simply not want to return to a classroom. But our experience has shown that many do want training, and will take such training, if they can get some income through a part-time job. Our experience also has shown that most of these young persons need some income, but not the income from a full-time job needed by household heads.

The training classes primarily would be classes offered by the Community Colleges and community groups. Thus they would not require additional cost.

V. Our Experiences and Job Creation

Our experiences over the years have shown us how much more there is to reducing unemployment than providing a job -- how many different ways skills and attitudes are involved. However, these experiences also have shown the central role of jobs in shaping attitudes, as well as the tremendous shortage of jobs over the past year. Our experiences have shown us that whatever problems need to be overcome in developing a jobs program, they are minor compared to the present need for such a program.

Senator KENNEDY. The committee stands in recess, subject to the call of the Chair.

[Whereupon, at 12:45 p.m., the committee was recessed, subject to the call of the Chair.]

